

2001 Annual Report

Optimizing profits - Building Value



Corporate Profile

Proprietary Industries Inc. (PPI) is a diversified company with a proven track record for building shareholder value through the identification, acquisition, injection of capital and application of management expertise to undervalued, neglected, mismanaged or overlooked companies or businesses.

Our objective is to accumulate a portfolio of assets that generate sufficient cash flow to provide for shareholder distributions and continued expansion.

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Business Strategy

PPI's business is essentially divided into two fundamental groups – Operating Cash Flow Generators (OCFG) and Principal Merchant Banking Activities (PMBA).

Investment Identification and Evaluation

An integral part of PPI's success has been our ability to adhere to a standardized list of investment criteria that have remained virtually unchanged since our inception in 1993.

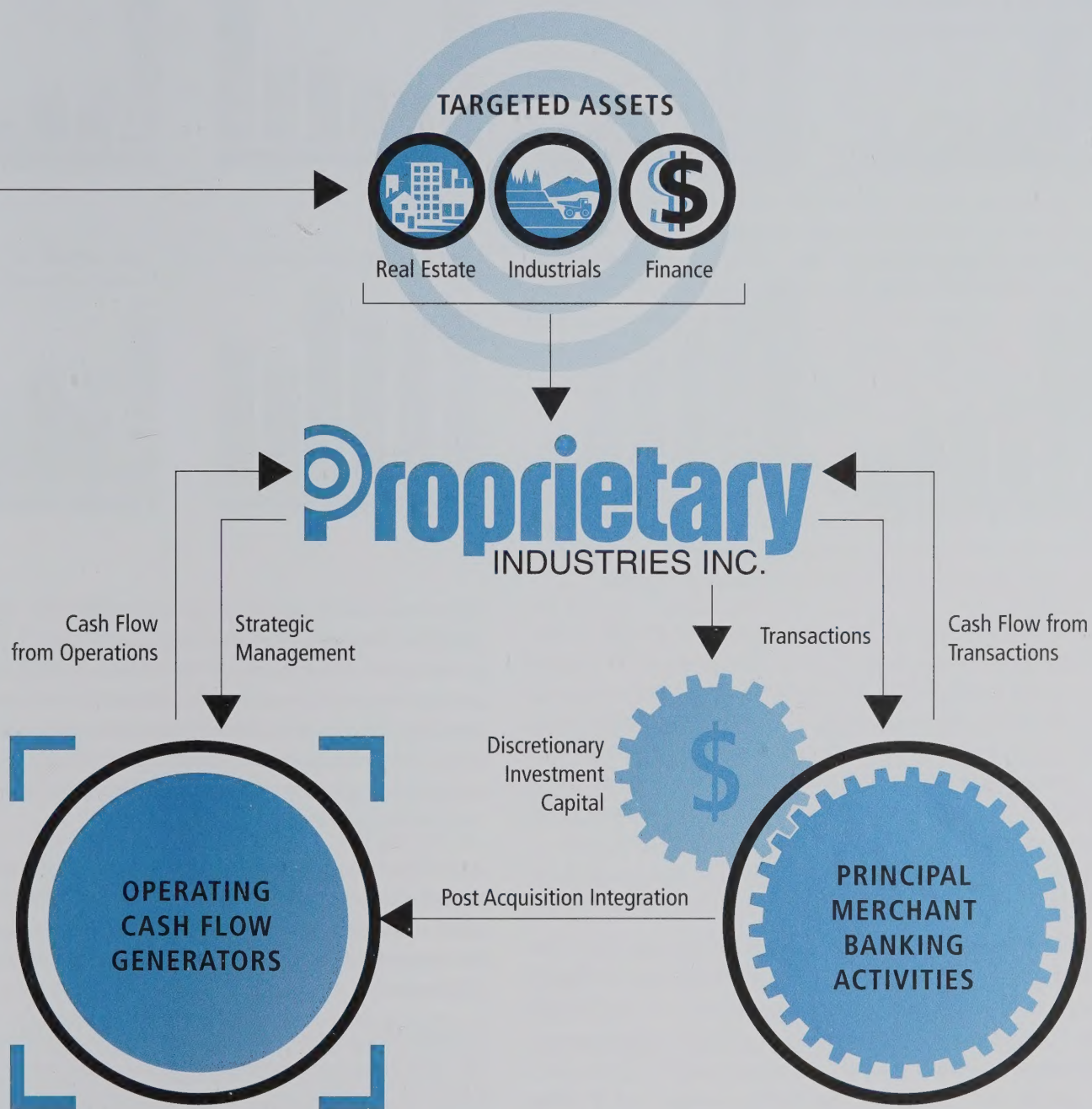
The following five criteria provide the focal point for evaluating the wide variety of investment opportunities that are brought to the company's attention on an ongoing basis:

- Little or no competition present
- Potential annual growth rate and returns exceed 20 per cent
- The asset is distressed or undervalued
- Low debt / equity ratio
- Non-recourse financing is possible

Our Strengths

- Proven Management skills
- Access to Capital
- History of generating profits
- Established growth history
- Database of investment opportunities

Optimizing profit through ownership and strategic management



OPERATING CASH FLOW GENERATORS

The OCFG group is comprised of all of PPI's income/cash flow generating subsidiaries and businesses.

PRINCIPAL MERCHANT BANKING ACTIVITIES

The PMBA group represents current and future merger and acquisition targets that meet the company's investment criteria.

► President's Message to Shareholders

(all figures in CDN \$)

On the world stage, turmoil has been the order of the day this past year. The financial markets have witnessed the end of the longest bull market in history, the dot.com meltdown and some of the largest and most controversial bankruptcies ever. The impact of the September 11, 2001 events is still unfolding and needs no further elaboration here.

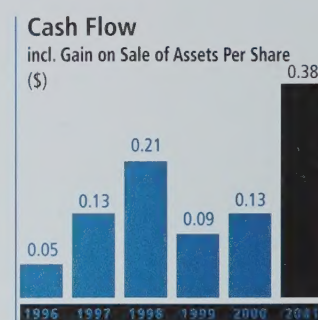
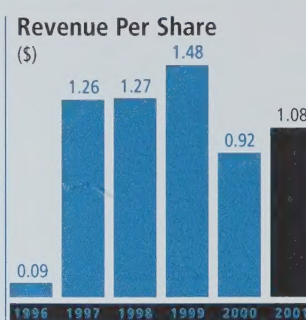
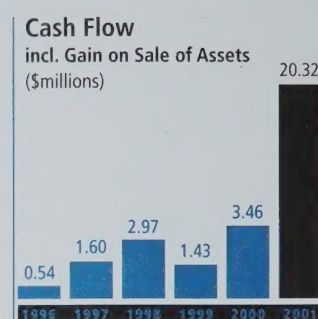
Proprietary had a very busy year including the launching of unsolicited takeover bids for the Ventra Group Inc. (TSE-VTA) and eDispatch.com Wireless Data Inc. (TSE-EWD), as well as acquiring Eagle Quest Golf Centers Inc. and arranging its post year-end re-financing. The Ventra takeover was halted by the regulators over alleged continuous disclosure concerns raised by Ventra's board in its efforts to fend off our offer. Proprietary ultimately tendered its Ventra shares to Flex N Gate's cash offer resulting in a net gain of approximately \$5 million. The outcome of our eDispatch takeover bid cannot yet be determined. Our efforts to remove and replace eDispatch's board were thwarted at a shareholders meeting, however we have commenced litigation to address voting irregularities, potential board misconduct and conflict issues relating to the proffered fairness opinion.

The acquisition of Eagle Quest Golf Centers Inc was completed under very favourable terms and its impact on our consolidated earnings and profits has begun to be seen. The purchase of the 10 Eagle Quest golf centers for a total cost of \$14.5 million in cash was particularly accretive in that current appraisals completed for financing purposes value the properties at \$35 million.

This Annual Report discloses the current status of our evolving business strategy and schematic to better explain to shareholders and the investing public exactly what Proprietary does. Proprietary first identifies undervalued assets by applying five strictly defined investment criteria. Targeted assets that meet our investment criteria after stringent analysis are passed on to the Principal Merchant Banking Activity group. This group decides on the methods to be used for financing and effecting the acquisition of the targeted assets and then executes the plan. Once the targeted assets are under Proprietary's control, management and financial expertise are applied with the objective being to improve cash flow and rates of return.

Acquired assets become part of Proprietary's Operating Cash Flow Generators ("OCFG"), which fuel sustained growth and fund our ongoing Principal Merchant Banking Activities. This strategy is depicted graphically on page 1 of this Annual Report. This strategy requires three different management talents: 1. Analysts to identify and evaluate targets; 2. Deal makers to conclude the Principal Merchant Banking Activities; and 3. Skilled operational managers to maximize profits in the OCFG assets. Proprietary either has the requisite skills in-house or finds suitable talent to meet its requirements. We believe this is a very simple but effective strategy that, coupled with our increasing focus on the generation of operating cash flow, as opposed to the pursuit of capital transactions and market activity, will continue to facilitate the growth of our company.

I would like to comment upon the dramatic decrease in our share price over the last year or so. Trying to hide behind the drop in the market as a whole may give some justification but little consolation. Endless hypotheses can be postulated and speculated upon, but the short answer is that over the course of the last year, there was simply more enthusiasm amongst sellers than buyers. The market decline cannot be easily attributed to our operating



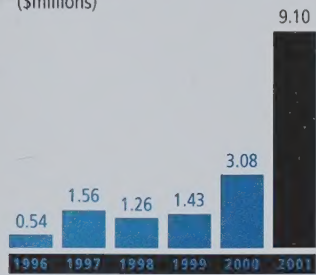
performance because our cash flows remain strong. Our net book value equals \$2.75 per share and our net asset value is higher still. The challenges we are facing in resolving the Alberta Securities Commission allegations appear quite daunting and have certainly garnered the attention of the press. They do not, however, detract from the value that we have generated or our future prospects for continued performance. The course of action that we have taken to address this situation is designed to yield maximum long-term benefit to shareholders.

In this regard, Proprietary has adopted a more conservative approach in the preparation of its 2001 financial statements and in restating prior years. This decision was made out of an abundance of caution and as a first response by Proprietary to the allegations made by the staff of the Alberta Securities Commission.

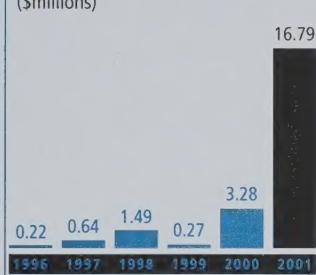
While the risks attendant upon this course of action are obvious (it might not help to achieve a resolution with the regulators and it opens the door to the question as to why we were not more conservative in recording these transactions in the first place), the benefits (that we can put these accounting issues behind us, maintain a market for our shares in Canada and get back to our business full time) are equally obvious. We have elected to pursue the course of restatement irrespective of the fact that our previous form of recording the profitable corporate transactions was audited, was consistent with GAAP, and was accepted by regulators at the time they were originally recorded.

GAAP is not an exact science and the recording of many transactions requires the exercise of professional judgment to properly interpret the rules. Two equally skilled accountants may arrive at two equally acceptable but different outcomes. This does not necessarily mean that either one is wrong, only that the rules are flexible enough to permit differing opinions and hence different results.

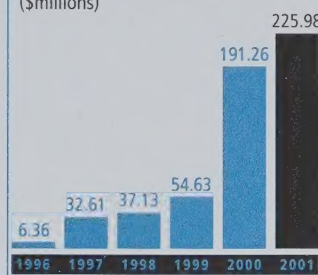
Cash Flow
(\$millions)



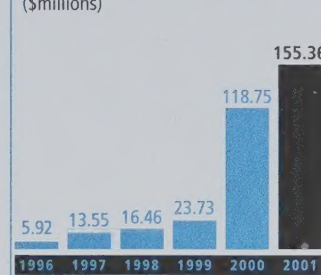
Profit
(\$millions)



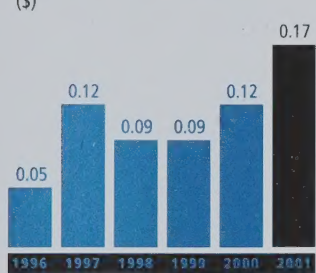
Gross Assets
(\$millions)



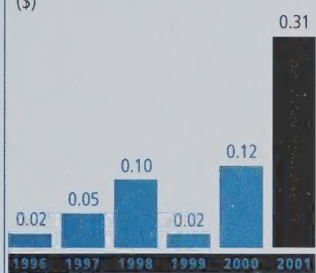
Shareholder's Equity
(\$millions)



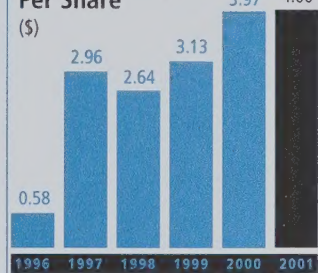
Cash Flow Per Share
(\$)



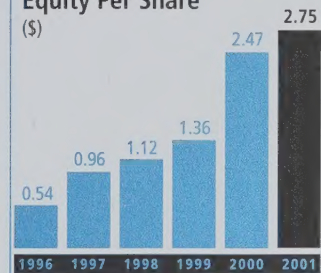
Profit Per Share
(\$)



Gross Assets Per Share
(\$)



Shareholder's Equity Per Share
(\$)



We have historically taken a more aggressive approach in our accounting policies, while the Alberta Securities Commission wants all companies, including ours, to take a more conservative view. It has become increasingly apparent, given the current accounting controversies, that a corresponding shift in our accounting policy was the correct (if not the only) thing to do. The restatement of our prior years' financial statements represents our best efforts to produce a meaningful response to these changing meta-standards.

In summation, it has been Proprietary's practice for many years to buy, operate, and sometimes sell, targeted private and public entities. This is a tough business, periodically subjecting its practitioners to extreme financial and operating pressures, including vigorous and imaginative counterattacks from targets, and intense and repeated shareholder, legal, media and regulatory attention. Periodic setbacks are inevitable, but not terminal. The risks involved in Proprietary's aggressive pursuit of undervalued assets are limited by its conservative risk management strategies. More specifically, Proprietary's pursuit of increased shareholder value has been expedited with virtually no initial (on or off balance sheet) debt and definite limits on the capital exposed to each transaction. Since our inception in 1993, we have been very serious about ensuring that we conduct ourselves within the bounds of prevailing law and regulation, that our dealings be disclosed in a full, true and timely manner, that our transactions be recorded in accord with Canadian GAAP in effect at the time and that our financial statements yield unqualified audit opinions. These facts will ultimately prove to be of substantial value in our efforts to overcome both our current challenges, and any future challenges we might encounter. Although a portion of management's attention is being directed towards resolving our regulatory issues at present, management both can and will continue to make its primary focus the generation of cash flow, value and growth over the coming years.

We are seriously dedicated, as both management and shareholders, to ensuring that our past, present and future performance will be manifested

in a share price that will reflect the underlying value of the assets held, the cash flows accruing therefrom and the potential yet to be realized in future endeavors. Currently however, it is ironic that we find our share price at a level where we are as much a suitable target as an effective practitioner of our strategy. This is true even though we have produced record cash flows for fiscal 2001, considered both before and after prior year restatements, and recently seen the value of our precious metals portfolio increase substantially. In addition, our shareholder base has begun to broaden and our market volume has improved significantly. In keeping with Von Clausewitz's dictates as set out in "On War", our board and management's strategic flexibility and tenacity will ensure that Proprietary continues to evolve so as to prevail in adversity and to capitalize on and exploit changing circumstances and emerging opportunities to the extent that our resources allow.

I thank you for your continued support.

Yours truly,

Peter J. Workum; Chairman and President

JANUARY

- PPI declares a 3 per cent stock dividend payable to all of its shareholders.

FEBRUARY

MARCH

- 1.3 million shares of Ventra Group Inc. are acquired bringing PPI's total investment to 5,822,875 shares, representing 12.5 per cent of Ventra's issued and outstanding shares.
- All of the outstanding shares of Family Golf Acquisition, Inc. are acquired for US\$8.4 million in cash plus the pay out of approximately \$Cdn 1 million in liabilities.
- PPI completes the acquisition of American Home Capital Corporation (AHCC) selling its wholly-owned subsidiary, Swiss Asset Management Inc. to AHCC in exchange for 94.25 per cent of AHCC's shares.

APRIL

- PPI ends its fundraising relationship with CommCept AG of Zurich, Switzerland.
- An additional 206,800 shares of the Ventra Group Inc. are acquired resulting in the company owning a 12.9 per cent interest in Ventra.
- PPI makes an offer to purchase all of the outstanding common shares of Ventra.

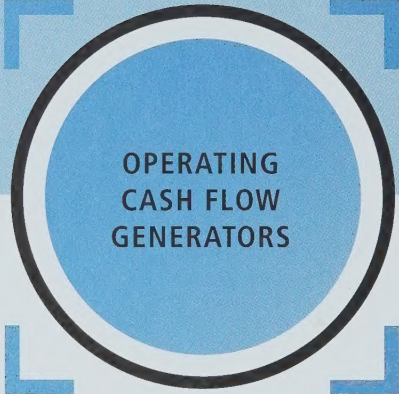
MAY

- 1,000,000 common shares of Invader Exploration Inc. are acquired at a price of \$0.25 per share bringing PPI's total investment to 11,437,000 shares, representing a 55.2 per cent controlling interest in the company.
- Profit Magazine ranks Proprietary Industries 13th among Canada's 100 fastest-growing companies based upon an 8,234 per cent growth in revenues from 1995 – 2000.

JUNE

- PPI acquires 951,000 common shares of Phoenix Capital Inc. (PNX-TSE) representing 19.9 per cent of Phoenix Capital's issued and outstanding shares.
- PPI increases its unsolicited offer for all of the outstanding shares of Ventra Group Inc. to 0.45 of a PPI common share for each Ventra common share tendered.

Corporate Highlights



OPERATING CASH FLOW GENERATORS

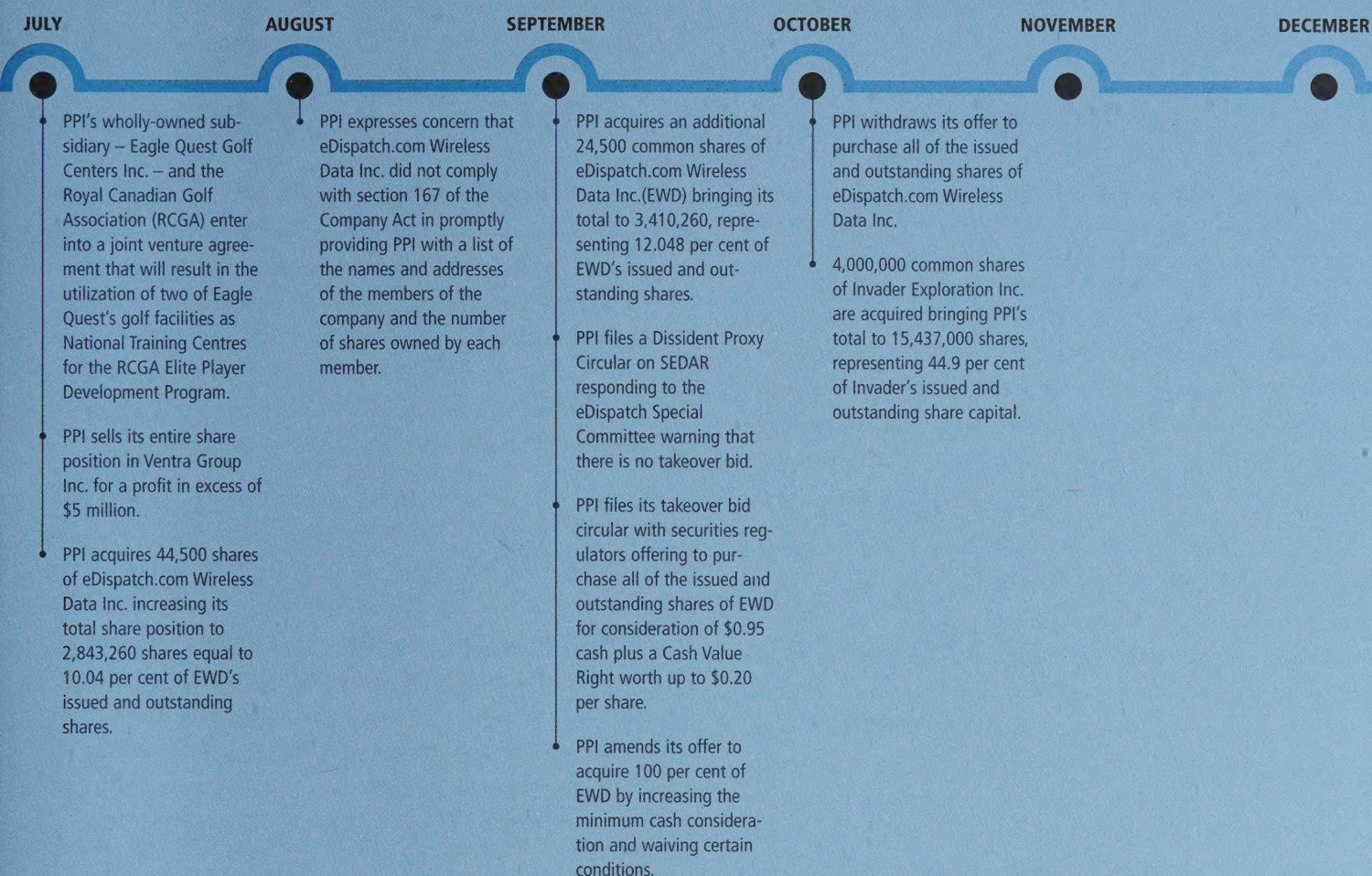
Proprietary's largest operating cash flow generator has historically been and remains its Principal Merchant Banking Activities (PMBA). The stated goal of the PMBA group is to acquire assets/businesses/companies which, after some remediation efforts, will be added to Proprietary's OCFG assets for long-term hold. Some PMBA transactions, however, result in short-term sales which generate substantial profits. In 2001 approximately 8.5% of our revenue and 54% of our cash flow came from such transactions. The largest component came from the \$5 million cash profit earned on the sale of the Ventra shares.

EAGLE QUEST GOLF CENTERS

► "Learn, Practice, Play"

The second largest OCFG in the current year was Eagle Quest Golf Centers Inc. These assets, which were acquired half-way through our fiscal year, generated 19% of our annual revenue and 19% of our cash flow for the year.

In March, Proprietary closed the acquisition of all outstanding shares of Family Golf Acquisition Inc. (FGA) for US\$8.4 million in cash plus the payout of approximately \$1 million Cdn in liabilities. FGA owns all of the shares of Eagle Quest Golf Centers Inc., which in turn owns and operates ten golf centres, golf domes, driving ranges, executive length golf courses and mini-golf courses in B.C., Alberta and Ontario.



With the completion of the acquisition by PPI, Eagle Quest obtained the financial stability it required to undertake a \$700,000+ capital expenditure program aimed at improving its facilities, product offerings and maintenance, thereby resulting in increased earnings. Eagle Quest also entered into a long term agreement with the Royal Canadian Golf Association where two of its facilities in greater Toronto and greater Vancouver will become the national training centers for the RCGA elite player development program. Additionally, all Eagle Quest sites will be licensed Future Links locations, the RCGA grass roots golf program.

On a rolling 4 quarter basis, by September 30, 2001 Eagle Quest's revenues had increased by 20 per cent over 2000 and operating cash flow had also increased 20 per cent for the same time period.

Eagle Quest plans to maximize returns from its existing facilities as well as acquire additional golf centres and full length golf courses as opportunities arise. Eagle Quest will also pursue a strategy of providing golf course/facility management to golf course owners throughout Canada.

Upon completion of a debt financing in December 2001, Eagle Quest has effectively provided PPI with an ROE of 100%.

AMERICAN HOME CAPITAL CORPORATION (AHCC)

Through its controlled subsidiary EnerGCorp Inc. (EGCI), PPI completed the acquisition of American Home Capital Corporation (AHCC) in March, 2001. The purchase saw EGCI vend its wholly-owned subsidiary, Swiss Asset Management Inc. (Swiss) to AHCC for 94.25 per cent of AHCC's common shares. The purchase price of US\$15 million was based upon the net book value of Swiss' loan portfolio at the time of closing. AHCC is a diversified real estate financial services company engaged in mortgage banking and brokerage in San Diego, California. Originally incorporated in 1983 as TCS Enterprises, Inc., the company has been particularly successful in recent years developing a significant volume of mortgage business from its homebuilder clients. The company continued to successfully penetrate the homebuilder market and also benefited from a sustained moderation in mortgage rates throughout 2001, resulting in residential refinancing mortgage volumes increasing substantially.

Swiss was formed in May 2000 and specializes in real estate related bridge financing. To date, the company's portfolio consists of short-term non-conventional first mortgage loans that have a conservative loan to value ratio and high average returns. Management anticipates that as the U.S. economy continues to slow, liquidity will diminish further and provide excellent opportunities for Swiss to further expand its real estate loan portfolio. The combined operations contributed 15% of Proprietary's consolidated revenues and 47% of consolidated cash flows.

CANADIAN ROCKY MOUNTAIN PROPERTIES INC. (CMP-CDNX)

In 2001, PPI's controlled public real estate subsidiary - Canadian Rocky Mountain Properties Inc. (formerly Flower Affairs Systems Corp) began trading on the CDNX under the symbol CMP. CMP's initial transaction was to acquire all of the issued and outstanding shares of WCP Holdings Ltd. from PPI. CMP earned \$0.05 per share for the nine months ended September 30, 2001.

WCP owns and operates three mobile home communities located in Edmonton, Lac La Biche and High Prairie, Alberta that cater to the middle to lower income housing market. These properties were acquired at attractive prices and are generating substantial returns. The three properties combined have an estimated fair market value of approximately \$20 million, and are projected to generate annual revenue of \$2.6 million and EBITDA of \$1.8 million. In 2001, vacancies decreased substantially resulting in higher revenues and profits. WCP is currently applying for a rezoning permit to allow for the development of additional sites at its Edmonton location. The successful completion of this proposed expansion should add \$250,000 to \$300,000 in net earnings to WCP annually.

CMP also acquired Central City Business Park, a 37,000 square foot commercial strip mall in downtown Kelowna, B.C. for gross proceeds of \$2.87 million in August. The completion of some needed capital improvements and a refinancing will allow this property to achieve CMP's required rate of return.

Plans are currently underway to rapidly expand CMP's portfolio of assets through the acquisition of more than \$60 million in cash flow producing properties. We are in the final stages of assessing the sale of PPI's resort and recreation property interests - the Kananaskis Mountain Lodge, the Waterton Lakes Lodge, the Qualicum Heritage Inn and the ten Eagle Quest Family Golf Center facilities - to CMP. These interests would be sold at their fair market value. This transaction would be a "Related Party Transaction" and require regulatory and shareholder approval. Approximately 4.5% of PPI's consolidated revenues and 9% of consolidated cash flow are generated from its 63% interest in CMP.

INVADER EXPLORATION INC.

Net Production Increases to Over 75 boe/d

Invader Exploration Inc. is an oil and gas exploration and development company based in Calgary, Canada and listed for trading on the Canadian Venture Exchange (Symbol INX). The Company will utilize drilling and enhanced recovery technology as its primary tools for growth. Invader will focus its efforts on both oil and natural gas prospects within Canada and the United States, areas with great potential for exploration success and with high demand and prices for the reserves found.

In 2001, Proprietary invested \$1,250,000 to acquire an additional 5 million shares in Invader. Proprietary currently owns a total of 15,437,000 common shares representing 44.9 per cent of Invader's issued and outstanding shares.

2001 was a year in which many significant events occurred for Invader and for the oil and gas industry in general. In spite of substantial decline in oil and gas prices, Invader raised significant funds and evaluated a number of its U.S. gas prospects. No major discoveries were made in the Arkoma Basin; however new production was established in Arkansas and Texas and significant new Canadian prospect lands were acquired. Yearly production rates increased by 76 per cent and revenues for the nine months ended September 30 increased by 56 per cent when compared to the previous year.

Oil and natural gas prices have changed considerably in the past year primarily as a result of the slow down in the world economy; however Invader's management remain optimistic about long-term prices in the U.S. and Canada. Supplies are declining due to the depletion of existing reserves and drilling activity has been reduced dramatically. Invader's objective for 2002 is to take advantage of this period to significantly increase reserves, production and cash flow. Invader has no debt, increasing revenue from a growing production base and significant cash available to develop its inventory of prospects and to take advantage of attractive acquisitions that will be available during this period of lower oil and gas prices.

KINWEST RESOURCES INC.

► *Quality Properties -
Promising Development Potential*

Proprietary owns a 13 per cent interest in this private oil and gas company with current production of approximately 1,000 boe/d from wells in southern Alberta and Saskatchewan. Kinwest has assembled a portfolio of quality properties with promising development potential.

NEWMEX MINERALS INC.

► *A Changing Business Focus*

PPI has a 75 per cent controlling interest in Newmex Minerals Inc. (NMM-CDNX) - a junior exploration stage mining company. Newmex currently owns mining properties in British Columbia, New Mexico, Puerto Rico, Arizona and Canada.

Future Outlook

To date, NMM has been successful in expanding the mineral resources on several of its properties, but has been unsuccessful in bringing any to production. As a result, the Board of Newmex is considering a strategy which would involve the divestiture of all mining assets and a proposed amalgamation with Sulphur Corporation of Canada Ltd. (SCC). This proposed amalgamation would require regulatory and shareholder approval as it would be a Related Party Transaction and a change in business for Newmex. The plan would be for the merged company to be called Sulphur Corporation of Canada Ltd. and to own and operate a world class sulphur handling and processing facility in the Port of Prince Rupert, British Columbia. The following provides an overview of SCC's operations and terminal facility:

SULPHUR CORPORATION OF CANADA LTD.

► *Building A World-Class Terminal*

PPI acquired approximately a 70 per cent interest in Sulphur Corporation of Canada Ltd. (SCC) in December, 2000. In cooperation with the Prince Rupert Port Authority and Ridley Terminals Inc. (RTI), SCC is building a world-class sulphur terminal and processing facility on Ridley's site at the Port of Prince Rupert on the Northwest coast of British Columbia – where RTI currently owns and operates a state of the art coal terminal.

In November of 2000, SCC began construction of Phase I of its multi-phased sulphur storage and terminalling facility. The Port has the second-deepest harbor in the world, facilitating the loading of the largest marine vessels.

Construction has proceeded for delivery of a total infrastructure package enabling SCC to receive, store and load bulk quantities of molten sulphur. This facility will be the first in Canada to provide molten sulphur for marine export. Future phases, which contemplate the handling of formed sulphur products, will enhance SCC's ability to meet market requirements.

In mid October 2001, construction of Phase 1 was approximately 75 per cent complete. In December 2001 PPI concluded that the construction was behind schedule and over budget. In an effort to ascertain the status of the project and to resolve some outstanding corporate issues with SCC, PPI stopped funding the project in late December. Once these matters are resolved, it is anticipated that construction will be completed and that operation of Phase I will commence sometime late 2002.

To date, production of Canadian sulphur continues to escalate. With new sour gas discoveries and the prospect of construction of several new tar sand facilities, SCC is well positioned to facilitate exportation of the sulphur derived from these sources.

PROPRIETARY DEVELOPMENTS LTD.

► *Capitalizing On Opportunities in Eastern Canada*

Proprietary Developments Ltd. (PDL) was established in 1999 to take advantage of real estate opportunities in Ontario. PDL is currently involved in the following projects:

In 1999, PDL purchased 10 undeveloped golf course lots in Bancroft, Ontario for \$200,000. The site has potential for the construction of ten, three-unit condominium buildings. To date, three buildings have been completed with seven of the nine units occupied.

CANADIAN TIRE GAS BAR

In 2001, PDL completed the acquisition of a 7,000 square foot commercial plaza in Bancroft, Ontario, whose anchor tenant is a Canadian Tire Gas Bar. This plaza has historically grossed \$150,000 per annum. The plaza continues

to maintain 100 per cent occupancy, with gas volumes and rental income up 22 per cent and 18 per cent respectively over the previous year. Anticipated neighborhood development will only serve to increase demand for services in this high traffic tourist area.

VACANT LAND

In 2001, negotiations continued with the local municipalities to extend Bancroft's existing sewer service to PDL's property. This would allow for further development, including construction of a four seasons destination resort and convention centre. Located at the convergence of four major highways, a 2 1/2 hour drive from Toronto and about 45 minutes from Algonquin Provincial Park, Bancroft is a popular tourist destination and is well positioned to host such a development.

ENERGCORP INC.

► *Real Estate Development and Construction Ventures South of the Border*

EnerGCorp Inc. (EGCI) is PPI'S controlled U.S. subsidiary which operates out of offices in Tempe, Arizona. It manages the company's majority and minority interests in various businesses including American Home Capital Corporation, Swiss Plastering and Interiors Inc., The Creative Classics Company, Alternative Vehicle Rentals Inc., University Polo Club Limited Partnership and Pebble Beach Apartments, Inc.

SWISS PLASTERING AND INTERIORS INC. AND THE CREATIVE CLASSICS COMPANY

EGCI holds an 11.8 per cent and 14.9 per cent interest in Swiss Plastering and Interiors Inc. (SPI) and The Creative Classics Company (TCCC) respectively. The controlling interests in both of these profitable operating companies were sold to arm's length parties in prior years. EGCI earns management fees from the new owners for overseeing these operations.

THE KANANASKIS MOUNTAIN LODGE

► *PPI has a 100 per cent interest in the Kananaskis Mountain Lodge, a 40 per cent interest in the Lodge at Kananaskis and a 35.5 per cent interest in the Signature Club, all located in Kananaskis Country near Mount Allen – the site of the 1988 Winter Olympic alpine skiing events.*

In 2001, Proprietary undertook a \$3.8 million renovation on the Kananaskis Mountain Lodge resulting in significant improvements to the resort and spa facilities. The hotel was awarded a 3 1/2 star rating from the Canada Select Rating Program. In late September 2001, to celebrate completion of the renovations, the hotel held a Grand Opening with tour operators, media, business, and government officials present. The new look at the hotel was well received. Excitement continues to prevail with the upcoming G-8 Summit being held in Kananaskis Village in June 2002. This will showcase the property to the world.

WATERTON LAKES LODGE

Proprietary owns a 100 per cent interest in the Waterton Lakes Lodge - an 80-room environmentally friendly boutique resort approximately 2.5 hours drive south of Calgary near the Montana and British Columbia borders. In 2001, the Lodge underwent renovations to significantly upgrade its spa facilities. In addition, it received three green leaves from the "Green Leaf Eco Rating Program". Endorsed by the Hotel Association of Canada, the Green Leaf program recognizes hotels for their environmentally sound practices on a scale from one to five. The hotel was also awarded 3 stars from CAA and 3 1/2 stars from the Canada Select Rating Program.

Given its proximity to the Montana and British Columbia borders, tourism at Waterton Lakes Lodge was not visibly impacted by the September 11 tragedy in New York.

QUALICUM HERITAGE INN

In early 2001, Proprietary changed the name of the Qualicum College Inn - its 100 per cent owned property located in Qualicum Beach, British Columbia - to the "Qualicum Heritage Inn". The Company also completed a \$530,000 renovation project on the property which saw the complete upgrade of 17 rooms; partial upgrades of twenty-three rooms; new windows; a new roof and exterior paint. With completion of the renovations, the average daily room rate increased as did the volume of business at the Inn. The Qualicum property appears not to have been affected by the Sept 11 tragedy, and management anticipates that travelers normally heading south to Florida and Phoenix may select Vancouver Island as an alternate destination.

VENTRA GROUP INC.

► *Divestiture Generates Cdn\$5 Million Profit*

In March, Proprietary acquired 1.3 million shares of TSE listed Ventra Group Inc. (VTA). This transaction brought PPI's total investment to 5,822,875 shares of VTA representing 12.5 per cent of VTA's issued and outstanding shares. In April, another 206,800 common shares were acquired bringing PPI's total to 6,029,675 common shares representing 12.9 per cent of the issued and outstanding shares of Ventra.

In April, Proprietary made an offer to the shareholders of Ventra Group Inc. to purchase a minimum of 17,400,000 common shares on the basis of 0.44 of a PPI common share for each Ventra common share - representing an offer price of \$1.65 per Ventra share. This offer was part of PPI's plan to capitalize on its substantial investment in Ventra by injecting new equity and/or restructuring debt as required, maximizing the advantages of a depressed Canadian dollar and generally positioning this well-established Canadian manufacturer to generate cash flow and obtain the kind of profitability and growth it was capable of achieving.

Ventra's board, however, succeeded in its efforts to obstruct PPI's unsolicited takeover bid for control of the company. The OSC insisted that PPI's bid be allowed to expire on the basis of purported continuous disclosure deficiencies raised by Ventra. PPI was also prevented from taking up and paying for the almost one million Ventra shares that were tendered pursuant to the offer. Ultimately, PPI opted to sell its entire Ventra position in the market for a gain of approximately Cdn\$5 million.



EDISPATCH.COM WIRELESS DATA INC. (EWD)

► *PPI Files Application Against EWD*

In 2001, PPI purchased a total of 3,410,260 common shares of eDispatch.com Wireless Data Inc. (EWD-TSE), and issued an offer to purchase all of the outstanding shares of the company. Unfortunately, the EWD board was unwilling to consider the offer, and rushed to complete a merger with AirIQ by way of a special shareholders meeting. In effect, the merger was a reverse take-over resulting in the shareholders of EWD receiving less than 50 per cent of the issued shares of the amalgamated company.

With the negative impact on PPI stemming from the dramatic reduction in EWD's share price following the merger, PPI has retained Lenczner Slagt Royce Smith Griffin as litigation counsel to commence an application against EWD. The application is based on the oppression provisions of the British Columbia Company Act and the conduct of the EWD Board in completing the AirIQ transaction while disregarding Proprietary's offer to purchase.

PHOENIX CAPITAL SHARE ACQUISITION

► *Unit Holders Offered Unique Opportunity*

On June 1, PPI acquired 951,000 common shares of Phoenix Capital Inc., representing 19.9 per cent of Phoenix Capital's issued and outstanding share capital, through the facilities of the Canadian Venture Exchange.

Phoenix Capital acquires income-generating real estate assets by purchasing property units from individuals involved in limited partnerships or syndications. Through carefully structured offers, Phoenix Capital gives those individual unit-holders a rare and unique opportunity to sell or liquidate their holdings while enabling Phoenix to earn an appreciable return from assets acquired.

► Management's Discussion and Analysis

For the year ended September 30, 2001

OVERVIEW

The Board and management of Proprietary ("Proprietary" or "PPI") wish to announce current and restated historical financial results for the company's fiscal year ended September 30, 2001 as audited by Hudson & Company. Proprietary's gross assets were \$225,977,450 as opposed to \$191,256,866 for the prior year and working capital and cash as at year end was \$31,305,280 and \$14,091,854, respectively. PPI has recorded \$58,108,626 in revenue compared to revenue of \$24,300,090 for the prior year. PPI has recorded \$9,094,994 in cash flow from operations (representing \$0.17 per share) compared to cash flow from operations of \$3,082,276 (representing \$0.12 per share) for the prior year. PPI has recorded \$18,468,495 for earnings before tax (representing \$0.34 per share) compared to earnings before tax of \$4,307,196 (representing \$0.16 per share) for the prior year.

BUSINESS STRATEGY

PPI's business strategy is discussed in detail in the foregoing section of this annual report.

RECENT DEVELOPMENTS

Selected recent developments for the fourth quarter include:

- PPI sold its entire Ventra position in the market for an approximate gain of \$5.0 million.
- PPI's bid to remove and replace eDispatch's board was not successful. Litigation has been commenced to address voting irregularities, potential board misconduct and conflict issues relating to the CIBC World Markets fairness opinion.
- PPI was successful in closing the transactions related to the sale of The Creative Classics Company and Swiss Plastering and Interiors, Inc. It collected \$14.6 million from an arm's length third party financial institution against guarantees and surety pledged for the notes issued as consideration for these transactions.

CHANGE IN ACCOUNTING POLICY

In 2001, the Company changed its policy for accounting for income taxes based on the provision of Section 3465 of the Handbook of the Canadian Institute of Chartered Accountants which was adopted effective October 1, 2000. The provisions were applied retroactively without restatement of prior period financial statements. Please refer to financial statement Note 3 for details.

RESULTS FOR THE TWELVE MONTH PERIOD ENDED SEPTEMBER 30, 2001

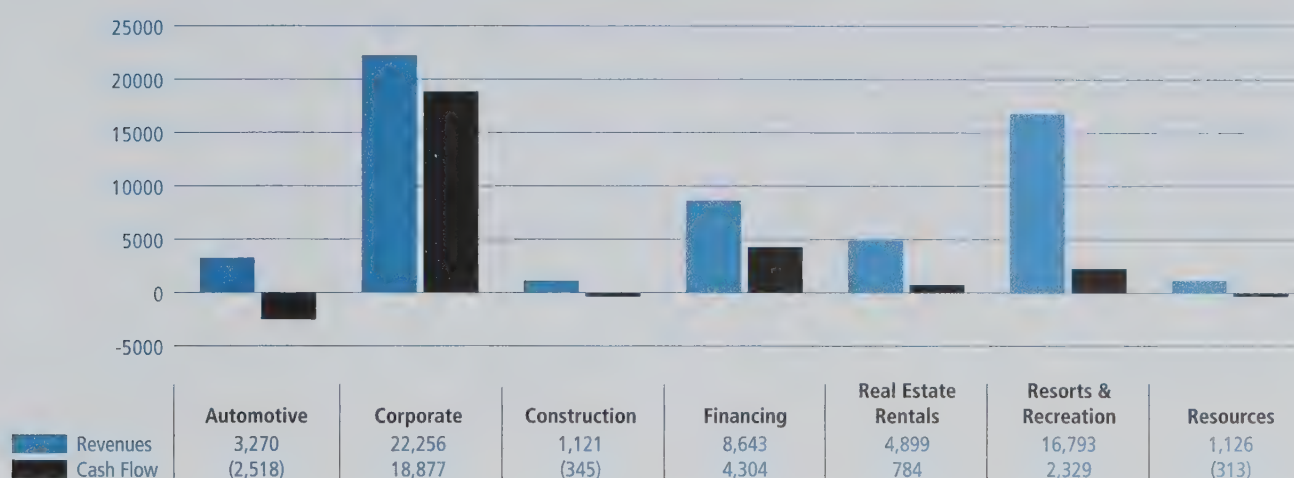
Net earnings for the period were \$16.9 million or \$0.31 per common share compared with \$3.3 million or \$0.12 per common share for the same period in 2000.

Revenue for the year was \$58.1 million compared to \$24.3 million for the same period in 2000, an increase of \$33.8 million or 139%. The following are the primary reasons for the change in revenue (i) inclusion of revenues from recreation for six months following acquisition in March 2001, (ii) inclusion of full year of operations for Swiss Asset Management, (iii) increased principal merchant banking activity and (iv) recording of \$11.2 million of gain on the sale of The Creative Classics Company and Swiss Plastering and Interiors, Inc. for which the cash was realized in 2001.

Earnings before Income Taxes and Minority Interest for the period were \$18.5 million compared to \$4.3 million in 2000, an increase of \$14.2 million. This increase can be attributed to the recording of the gain on sale of businesses, offset by the increased expenses associated with the US based automotive subsidiaries. Basic cash flow per share for the period was \$0.17, compared to \$0.07 for the same period in 2000. Cash flow from operations for the period was \$9.1 million compared to \$3.1 million during the same period last year, a 195% increase.

RESULTS OF OPERATIONS

Revenue and Cash Flow by Segment (in \$'000)



AUTOMOTIVE

The automotive division lost \$3.7 million and incurred negative cash flow of \$2.5 million during the current fiscal year. In consequence management has shut down its money losing automotive manufacturing endeavors, laying off 12 employees and transferring 3 remaining employees to its cash flow generating vehicle rentals, auto parts distribution and specialty tuning endeavors. Write offs will have been completed and savings will begin to be manifested by the third quarter of fiscal 2002.

CORPORATE

During the current fiscal year PPI opted to sell its Ventra Group Inc. shares and record a gain of approximately \$5.0 million. It also expensed \$0.8 million of costs related to the acquisition of eDispatch. Revenue and cash flow also includes \$11.2 million of gain on the sale of The Creative Classics Company and Swiss Plastering and Interiors, Inc for which the cash was realized in 2001.

CONSTRUCTION

Proprietary carries out real estate development and construction operations in the United States through Proprietary's Arizona-based subsidiary, EnerGCorp, and those companies in which EnerGCorp has an interest, including Atlas Tuff-Kote, Inc, Continental Interiors and Innovative Property Marketing. Combined revenue and cash flow were \$1.1 million and (\$0.3) million, respectively.

FINANCING

The financing business is carried on through its subsidiary American Home Capital Company ("AHCC"), which owns Swiss Asset Management. AHCC is a mortgage banker and broker, and also extends credit to companies and individuals in the States of Florida, California and Arizona. During the current fiscal year revenues were \$8.6 million, and cash flow was \$4.3 million.

REAL ESTATE RENTALS

Mobile Home Parks

WCP owns and operates three mobile home communities in Edmonton, Lac La Biche and High Prairie, Alberta that cater to the middle to lower income housing market. These properties were acquired at attractive prices and are generating substantial returns. The three properties combined have an estimated fair market value of approximately \$20 million, and are projected to generate annual revenue of \$2.6 million and cash flow of \$0.8 million for fiscal year 2002. In 2001, vacancies decreased substantially resulting in higher revenues and profits. WCP is currently applying for a rezoning permit to allow for the development of additional sites at its Edmonton location. The successful completion of this proposed expansion should add \$250,000 to \$300,000 in cash flow to WCP annually. CMP is looking to add to its portfolio of mobile home communities as opportunities arise.

Central City Business Park

On September 1, 2001 CMP acquired Central City Business Park, a 37,000 square foot commercial strip mall in downtown Kelowna, B.C. for gross proceeds of \$2.87 million in September. The purchase price was satisfied by the assumption of existing first and second mortgages of approximately \$2,636,500, payment of corporate and property tax obligations and the issuance of 31,742 common shares of CMP at a deemed price of \$1.00. CMP has committed to undertake some needed capital improvements. Management expects to achieve PPI's required rate of return on completion of the renovations and a refinancing.

Strayhorse at Arrowhead Ranch

The Strayhorse at Arrowhead Ranch, a 136-unit luxury apartment complex is located in Glendale, Arizona. Revenues were approximately \$2.0 million and cash flow was \$67,000. Management expects to achieve PPI's required rate of return on completion of a refinancing.

Combined revenue for our Real Estate rental assets was \$4.9 million and cash flow was \$780,000.

RESORTS AND RECREATION

Proprietary owns and operates three resort properties two of which are located in Alberta and one in British Columbia. During the current fiscal year, revenues and net income were negatively impacted by the major renovations at the Kananaskis Mountain Lodge. While business at the Lodge was impacted by the September 11 tragedy in New York, domestic marketing efforts are producing positive results. Management is confident that the G-8 Summit planned to take place in Kananaskis this summer will give the company an excellent opportunity to showcase the property to the world. On March 26, 2001, Proprietary acquired Family Golf Acquisitions, Inc., which owns Eagle Quest Golf Centers Inc. ("EQ"). EQ owns and operates ten properties, five of which are located in British Columbia, two in Alberta and three in Ontario. Combined revenue for our resort and recreation properties was \$16.7 million, cash flow was \$2.3 million. Management expects to achieve PPI's targeted rate of return upon the completion of deferred maintenance and realization on recently implemented marketing initiatives.

RESOURCE

PPI's natural resource portfolio includes investments in Invader Exploration Inc., Kinwest Resources, Newmex Minerals Inc. ("NMM") and Sulphur Corporation of Canada Ltd. ("SCC"). Invader is accounted for on equity method and NMM and SCC are consolidated with PPI. Combined revenue and cash flow for our resource assets were \$1.1 million and (\$0.3) million respectively.

EFFECT OF RESTATEMENT

Proprietary has restated its financial statements for the years ending September 30, 1998, 1999 and 2000. Please refer to financial statements note 23 for more details. The following table summarizes the revenue, cash flow and net earnings for the above period before and after restatement.

Summary Financial Results, Before and After Restatement (in \$000's)

	1998	1999	2000	2001
Financial Results as originally reported				
Revenue	20,257	30,328	32,065	*
Cash Flow from Operations	1,256	1,425	4,381	*
Net Earnings	2,978	6,629	9,524	*
Transactions at issue (and other)				
Revenue	2,273	6,444	7,765	—
Cash flow from operations	—	—	—	—
Net earnings	1,490	6,362	6,241	—
Financial Statements restated				
Revenue	17,984	23,884	24,300	58,109
Cash flow from operations	1,256	1,425	3,082	9,095
Net earnings	1,488	267	3,283	16,789
Cash flow per share from operations as originally reported	0.09	0.09	0.16	*
Basic earnings per share as originally reported	0.21	0.41	0.35	*
Cash flow per share from operations as restated	0.09	0.09	0.11	0.17
Basic earnings per share as restated	0.10	0.02	0.12	0.31

* except for fiscal 2001, which reflects both current results and the cumulative effects of restatement
E&OE

FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES

Proprietary has historically financed its growth through private equity placements and cash generated from its operations. During the year ended September 30, 2001, Proprietary raised \$23.4 million through a private placement to various banks and pension funds compared to \$90.3 million raised during the fiscal year ended September 30, 2000. Proprietary used the private placement proceeds and its excess cash flow to fund operations, capital expenditures and a number of transactions. In early December, Proprietary successfully concluded the refinancing of its golf operations for \$11.0 million with a leading Canadian financial institution. The company is currently negotiating with various financial institutions to refinance its resort properties and expects to conclude financing before the end of the fourth quarter of 2002.

As at September 30, 2001, PPI's working capital and cash and short-term deposits were \$26.2 million compared to \$51.7 million at September 30, 2000, a decrease of \$25.5 million. Capital expenditures for the year ended September 30, 2001 amounted to \$24.4 million (excluding business acquisitions). As at September 30, 2001, PPI's long-term debt was \$30.1 million.

DIVIDENDS

Proprietary declared and paid a 3% stock dividend valued at \$7.3 million during its second quarter of fiscal 2001.

SHARE CAPITAL

As of September 30, 2001 Proprietary had outstanding 56,684,242 common shares, options to purchase 4,882,000 common shares, and warrants to purchase 2,600,000 common shares.

► Auditors' Report

To the Shareholders of Proprietary Industries Inc.:

We have audited the consolidated balance sheets of Proprietary Industries Inc. as at September 30, 2001 and 2000 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2001 and 2000 and the results of its operations and the changes in its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Hudson & Company LLP Chartered Accountants

Calgary, Canada

February 15, 2002

► Consolidated Balance Sheets

As at September 30

2001

2000
(restated)

Assets

Current

Cash and short-term deposits	\$	14,091,854	\$	53,113,583
Mortgage loans held for resale		1,249,785		-
Short-term investments		-		2,564,000
Accounts receivable				
- Trade		12,207,044		5,024,112
- Short-term notes (note 4)		30,099,278		12,353,021
Inventories (note 7)		2,613,285		1,685,959
Prepaid expenses and deposits		1,649,610		566,223
		61,910,856		75,306,898
Restricted cash deposits (note 5)		682,869		578,984
Notes receivable (note 8)		21,213,545		24,696,254
Land development costs (note 9)		5,798,648		7,593,329
Deposit		-		1,529,384
Property, plant and equipment (note 10)		101,664,015		60,579,334
Long-term investments (note 11)		30,938,360		15,034,467
Other assets (note 12)		3,769,157		5,938,216
	\$	225,977,450	\$	191,256,866

Liabilities

Current

Accounts payable and accrued liabilities	\$	14,027,176	\$	2,499,103
Notes payable (note 13)		10,779,848		10,616,641
Customer deposits		417,579		97,022
Income taxes payable		366,523		481,611
Term loans (note 14)		8,966,338		9,056,628
Current portion of long-term debt		1,200,856		840,385
		35,758,320		23,591,390

Deferred revenue		1,977,785		12,769,176
Long-term debt (note 15)		30,102,468		30,764,468
Future income taxes		1,576,508		193,744
Minority interest in subsidiaries		1,205,301		5,191,213
		34,862,062		48,918,601

Shareholders' Equity

Share capital (note 16)		146,580,848		114,695,597
Contributed surplus		598,550		-
Cumulative translation adjustment		746,128		834,653
Retained earnings		7,431,542		3,216,625
		155,357,068		118,746,875
	\$	225,977,450	\$	191,256,866

Approved on behalf of the Board



Peter J. Workum
Chairman & President



Peter G. White
Director

► Consolidated Statement of Earnings and Retained Earnings

For the years ended September 30

	2001	2000 (restated)
Revenue		
Construction	\$ 1,123,318	\$ 9,478,518
Rental	4,817,915	2,413,378
Resource	-	719,389
Finance	8,214,354	-
Resorts and recreation	16,791,011	3,583,302
Automotive	3,178,187	1,117,487
Interest	5,023,776	2,516,156
Gain on sale of businesses (note 2)	11,220,103	409,553
Principal merchant banking activity	4,925,621	1,082,681
Investment and other	2,611,329	1,966,698
Equity in earnings of Limited Partnership	203,012	1,012,928
	58,108,626	24,300,090
Expenses		
Construction	1,465,843	9,681,349
Rental	1,887,288	1,022,900
Resource	805,456	402,001
Finance	4,165,247	-
Resorts and recreation	13,464,684	1,551,171
Automotive	5,704,220	1,160,223
Principal merchant banking activity	750,248	-
General and administrative	3,442,548	4,087,687
Depletion and amortization	2,603,668	927,829
Interest	3,305,481	1,159,734
Writedown of investments, notes receivable and goodwill	2,045,448	-
	39,640,131	19,992,894
Earnings before income taxes and minority interest	18,468,495	4,307,196
Income taxes (note 17)		
Current	575,600	511,392
Deferred (reduction)	-	(45,947)
Future income tax	1,355,252	-
	1,930,852	465,445
Minority interest in subsidiary	(251,811)	558,929
	1,679,041	1,024,374
Net earnings	16,789,454	3,282,822
Retained earnings, beginning of year		
As previously reported	17,309,308	10,293,954
Correction of previous periods (Note 23)	(14,092,685)	(7,851,442)
Retroactive accounting change for future taxes (Note 3)	(4,758,672)	-
As restated	(1,542,049)	2,442,512
Retained earnings before the following subtotal	15,247,405	5,725,334
Dividends	(7,346,828)	(1,926,042)
Premium on redemption of shares	(469,035)	(582,667)
Retained earnings, end of year	\$ 7,431,542	\$ 3,216,625
Basic earnings per share	\$ 0.31	\$ 0.12
Fully diluted earnings per share	\$ 0.27	\$ 0.11

► Consolidated Statement of Cash Flows

For the years ended September 30

2001

2000
(restated)

Cash flows provided by (used in)

Operating activities

Net earnings	\$	16,789,454	\$	3,282,822
Items not involving cash				
Depletion and amortization		2,603,668		1,014,674
Future income taxes (recovered)		1,355,252		(45,947)
Deferred revenue		-		(337,663)
Gain on sale of assets		(11,220,103)		(378,252)
Equity in earnings of Limited Partnership		(203,012)		(1,012,287)
Minority interests		(230,265)		558,929
Cash flow from operations		9,094,994		3,082,276
Change in non-cash operating working capital		(30,460,657)		(4,674,692)
		(21,365,663)		(1,592,416)

Financing activities

(Increase) decrease in notes receivable, net		1,481,171		(5,857,431)
Decrease in long-term debt, net		(2,757,157)		(13,556,961)
Issue of common shares, net		31,885,251		91,551,613
Dividends		(7,346,828)		(1,926,042)
Redemption of shares		(469,035)		(582,667)
Restricted cash		(103,885)		(578,984)
Increase in deferred revenue		428,711		1,278,681
Increase (decrease) in foreign currency translation adjustment		(88,327)		804,581
Increase in contributed surplus		598,550		-
		23,628,451		71,132,790

Investing activities

Decrease in deposit		1,529,384		270,616
Increase in investments		(12,465,806)		(4,202,956)
(Increase) decrease in land development costs		1,794,681		(3,345,901)
Additions to property, plant and equipment		(13,113,980)		(1,929,670)
Proceeds from sale of assets		-		858,027
Net cash decrease due to business acquisitions		(19,169,280)		(9,062,051)
Increase in other assets		140,484		(298,033)
		(41,284,517)		(17,709,968)

Increase (decrease) in cash (39,021,729) 51,830,406

Cash, beginning of year 53,113,583 1,283,177

Cash, end of year \$ 14,091,854 \$ 53,113,583

Cash flow per share from operations - Basic 0.17 0.11
- Fully diluted \$ 0.15 \$ 0.10

The following cash payments have been included in the determination of earnings.

Interest paid	\$	3,461,481	\$	2,046,868
Taxes paid	\$	690,688	\$	206,027

► Notes to the Consolidated Financial Statements

For the years ending September 30, 2001 and 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 PRINCIPLES OF CONSOLIDATION

The financial statements of entities which are controlled by the Company, referred to as subsidiaries, are consolidated; entities which are not controlled and which the Company has the ability to exercise significant influence over, are accounted for using the equity method; and investments in other entities are accounted for using the cost method.

1.2 FOREIGN TRANSACTIONS

The Company utilizes the temporal method of accounting for foreign currency transactions and financial statements of its subsidiaries. Under the temporal method, monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at the historical exchange rates. Revenues and expenses are translated at the average rate for the period, except for depreciation and amortization which are translated on the same basis as the related assets. Exchange gains or losses are reflected in net earnings. This is a change from prior years as the majority of foreign operations are no longer self sustaining.

1.3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand and short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.4 SHORT TERM INVESTMENTS

Short term investments are recorded at cost which approximates their fair market value. When there is other than a temporary decline in value, these investments are written down to provide for the loss. During the year \$354,000 was written off.

1.5 SHORT TERM NOTES RECEIVABLE

Management believes that all short term notes receivable at September 30, 2001 are collectible. The short term notes receivable are held for investment purposes. When there is other than a temporary decline in value, these investments are written down to provide for the loss. During the year, \$240,000 was written off.

1.6 INVENTORIES

Inventories are valued at the lower of cost and estimated net realizable value with cost being determined on a first-in, first-out basis.

1.7 MORTGAGE LOANS HELD FOR SALE

Mortgage loans held for sale are stated at the lower of cost or market in the aggregate. Cost is determined on an individual basis and includes nonrefundable fees and direct costs associated with the origination of loans. Market is determined by outstanding commitments and prevailing market prices. Gains represent the difference between the market price and the cost of the loans and are recognized when the loans are sold.

1.8 FINANCING COSTS

Certain financing costs associated with obtaining mortgage financing are amortized on a straight line basis over 40 years.

1.9 PETROLEUM AND NATURAL GAS OPERATIONS

The Company follows the full cost method of accounting for petroleum and natural gas operations whereby all costs of exploring for and developing petroleum and natural gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical costs, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells and overhead charges directly related to acquisition, exploration and development activities.

All costs of exploring for and developing petroleum and natural gas reserves, together with the costs of production equipment, are depleted and amortized on the unit of production method based on estimated gross proven reserves. Petroleum and natural gas reserves and production are converted into equivalent units based upon units of revenue.

In applying the full cost method, the total capitalized cost less accumulated depletion, future income taxes and provision for future site restoration costs are limited to an amount equal to the estimated future net revenue from proven reserves plus the cost (net of impairment) of non-producing properties less estimated future site restoration costs, general and administrative expenses, financing costs and income taxes.

Substantially all of the Company's exploration and development activities related to petroleum and natural gas are conducted jointly with others, through a controlled subsidiary. The accounts reflect only the Company's proportionate interest in such activities.

The proceeds from the disposal of oil and gas properties are normally applied as a reduction of the cost of the remaining assets unless it results in a change of 20 percent or more in the depletion rate, in which case a gain or loss on disposal is recorded.

(J) MINING PROPERTIES

Acquisition costs of mining properties together with direct exploration and development expenditures thereon are deferred in the accounts. When production is attained, these costs are depleted using the unit of production method based upon estimated proven recoverable reserves. When deferred expenditures on individual properties exceed the estimated net realizable value, the properties are written down to the estimated value. Costs relating to properties abandoned are written-off when the decision to abandon is made. Currently, there is no production at any of the properties therefore there is no provision for depletion.

(K) CAPITAL ASSETS

Property, plant and equipment are recorded at cost. The cost of property disposed of and related accumulated amortization are removed from the accounts at the time of disposition with any resulting gain or loss included in income.

Amortization is provided for over the estimated useful lives of the assets on the declining balance basis at rates ranging from four to twenty per cent. Leasehold improvements are amortized on a straight-line basis over the life of the related lease. The sinking fund method of providing amortization is used for buildings. This method will amortize the cost of the building over a maximum period of 30 years (40 years in case of apartment buildings) in a series of annual installments increasing at the rate of 5% compounded annually.

(L) LONG-TERM INVESTMENTS

The accounts of all subsidiary companies are consolidated from the dates of acquisition. Investments in significantly influenced companies and limited partnerships are accounted for by the equity method. Other long-term corporate investments are carried at cost. When there is other than a temporary decline in value, these investments are written down to provide for the loss.

The investments in the Limited Partnership Units are accounted for using the equity method, whereby the investments are recorded at original cost plus the Company's share of income or loss less any distributions received. The year end for the partnerships is December 31, therefore, results from various quarterly financial statements are used to reflect earnings from the partnerships.

(M) LAND DEVELOPMENT COSTS

Land is recorded at the lower of cost, which includes development costs and carrying charges, and estimated realizable value.

(N) ORGANIZATION COSTS

Organization costs are recorded at cost and are being amortized using the straight-line method over five years.

(O) GOODWILL

Goodwill represents the excess of the cost of acquisitions over the fair market value of their net assets acquired at dates of acquisition and is being amortized using the straight-line method over forty years subject to an annual review for impairment based upon current and future profitability of the related assets.

(P) REVENUE RECOGNITION

(i) Real estate development and condominium construction

Revenue from all homebuilding and condominium sales is recognized upon the completion of the contract and transfer of title. During construction, all direct material and labor costs and indirect costs related to acquisition and construction are capitalized, and all customer deposits are treated as liabilities. Capitalized costs are charged to earnings upon closing. Costs incurred in connection with completed homes and selling, general and administrative costs are charged to expense as incurred. Provision for warranty costs and estimated losses on uncompleted contracts and on speculative projects is made in the period in which such losses are determined.

(ii) Resorts, recreation and real estate rentals

Revenue is recognized as services are provided or merchandise sold and title passes to the customer. Funds received in advance of meeting the revenue recognition criteria are deferred until future periods.

(iii) Loan and origination fees

Loan fees include direct origination fees and deferred loan fees. Deferred origination fees are recognized at the time a loan is paid in full or over the term of the related note. Loan fees represent fees earned by the Company for loaning money. The fee is recognized when the borrower and lender sign a loan commitment and the loan is funded. Loan fees included in notes receivable consist of deferred origination fees.

(iv) Interest

The Company recognizes interest when earned.

(v) Gain on sale of servicing mortgage loans

Gain on sale of servicing mortgage loans represents service release premiums on loans originated in-house. The gain is recognized when the funded loan is sold and the proceeds are received.

(vi) Rent

Rent revenue is recognized as income in the month earned.

LEASES

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks or ownership of property are accounted for as capital leases. Assets acquired under capital leases are amortized on a declining balance method at an annual rate of 20%. All other leases are accounted for as operating leases and the related lease payments are charged to expense as incurred.

INCOME TAXES

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized as income in the period that includes the date of substantive enactment. To the extent that management does not consider it to be more likely than not that a future income tax asset will be realized, a valuation allowance is provided.

SHARE OPTION PLAN

The Company has a share option plan as described in Note 16. No compensation expense is recognized for this plan when shares or share options are issued pursuant to the plan. Consideration paid for shares on exercise of the share options is credited to share capital.

PER SHARE INFORMATION

Earnings per share and cash flow per share are calculated using the weighted average number of common shares outstanding during the year. Fully diluted per share information assumes the exercise of all options and share purchase warrants.

DISCLOSURES

The combined financial statements are prepared in accordance with Canadian generally accepted accounting principles which require management to make best estimates of the underlying value of assets, specific estimates of economic useful lives and rates of amortization, and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the timing of recognition of revenues and expenses during the reporting period. Actual amounts may differ from these estimates.

2. GAIN ON SALE OF BUSINESSES

The Company recognized gains on the sale of Swiss Plastering & Interiors Inc. and The Creative Classics Company as cash consideration relating to these transactions was received during the year.

3. CHANGE IN ACCOUNTING POLICY

In 2001, the Company changed its policy for accounting for income taxes based on the provision of Section 3465 of the Handbook of the Canadian Institute of Chartered Accountants adopted effective October 1, 2000. The provisions were applied retroactively without restatement of prior period financial statements. At October 1, 2000, a future tax income tax liability of \$221,256 was recorded and the deferred income tax liability of \$193,744 was reversed.

Section 3465 also requires that when goodwill results on the acquisition of a subsidiary, and the goodwill is attributable primarily to tax losses of the subsidiary, the goodwill should be reallocated to future tax assets. In 1996, the Company acquired control of EnerGCorp Inc. a US company with substantial tax losses.

Retroactive application of Section 3465 requires that goodwill originally recorded on this purchase be reclassified to future tax assets. Since the Company cannot demonstrate that it is more likely than not that these assets will be realized, they have been written off. The effect of this retroactive restatement is reflected as a charge to opening retained earnings of the current year of \$4,731,160.

4. SHORT TERM NOTES RECEIVABLE

	2001	2000 (restated)
Notes receivable from YUMA Road LLC in US dollars (\$221,133) due on demand, unsecured and without interest.	\$ 349,057	-
Note receivable from Raymond Hrdlicka in US dollars (\$456,000). Receivable in monthly installments of \$4,560 in US dollars plus interest at 12% per annum, secured by real estate, due on demand.	\$ 719,796	685,596
Note receivable from Kerry Kennedy, original amount in US dollars (\$2,078,500) non interest bearing; through January 2002, secured by a first deed of trust on real property.	1,702,412	-
Note receivable from Law Investments Inc., original amount in US dollars (\$430,000); includes interest at 12%, secured by a first deed of trust on real property, due on demand.	678,755	-
Note receivable from Dyson & Dyson of San Diego Inc., original amount in US dollars (\$1,500,000), payable in monthly installments of \$22,899 until October 2001 and then monthly installments of \$65,549 until maturity, including interest at 20% through December 2003, secured by first deeds of trust on real properties; paid in full October 1, 2001.	2,116,840	-
Note receivable from The Mark Andrew of the Palm Beaches Ltd.; original amount in US dollars (\$8,400,000); increased to \$10,366,232 during September 2001, payable in monthly interest installments of \$103,662 at 12% interest rate, through September 30, 2002, when the balance of principle and accrued interest is due and payable; secured by real estate mortgage, assignment and security agreement.	16,363,097	-
Note receivable from Cofima Finanz AG in US dollars (\$330,000) plus accrued interest, bearing interest at 18% and unsecured, due on demand.	583,023	504,387
Notes receivable from Chateau Hotels and Resorts Inc. bearing interest ranging from 12% to 24% per annum, secured by a personal guarantee and financing contracts, due September 30, 2002.	602,194	-

Notes receivable from officers and directors of the Company bearing interest at 8.5% to 10% and are secured by options, due on demand.

818,593

-

Notes receivable from The Azterra Corporation bearing interest at 8% and secured by shares in Willow Creek Homes and Azterra Equities Inc. The notes which had no fixed terms of repayment were offset to notes payable subsequent to year end.

6,194,646

10,386,195

Note receivable from Golden Phoenix Minerals Inc. in US dollars (\$400,000) plus accrued interest at 24% per annum, secured by a general security agreement against personal property assets, due August 5, 2003.

760,561

-

Other short-term notes receivable, due on demand.

901,322

776,843

31,790,256

12,353,201

Deferred origination fees

(1,691,018)

-

\$

30,099,278

\$

12,353,021

5. RESTRICTED CASH DEPOSITS

Real Estate

These funds are held in trust under various agreements with real estate lenders and also pursuant to regulatory requirements. The release of these amounts from trust is dependent upon the Company completing various stages of development work or other conditions as per the individual agreements.

Resort and Recreation

These funds are pledged as collateral for letters of credit on certain properties. The letters of credit generally relate to either property development activities or as security for future operating lease payments. Restricted cash is not available for general corporate purposes.

6. ACQUISITIONS

The following business acquisitions were completed in 2001:

On October 1, 2000, the Company acquired 64% of the issued and outstanding common shares of Canadian Rocky Mountain Properties Inc. ("CRMP"), a public company shell listed on the CDNX, in exchange for the Company's 100% interest in WCP Holdings Ltd. plus cash consideration of \$18,427. This acquisition has been accounted for as a reverse takeover.

On October 16, 2000, the Company acquired an additional 20% of the issued and outstanding common voting shares in Newmex Minerals Inc. ("Newmex") from PensionsKasse der Ascoop, a related party, for cash consideration of \$1,800,000, bringing the Company's ownership in Newmex to 74.8%. Newmex is a public junior mining exploration company listed on the CDNX. This acquisition has been accounted for by the purchase method.

On November 16, 2000, the Company acquired a 70% ownership interest in Sulphur Corp. ("Sulphur") for cash consideration of \$2,133,458. Sulphur is a private company currently constructing a sulphur, storage processing and handling complex. This acquisition has been accounted for by the purchase method.

On December 20, 2000, the Company acquired 97% of the issued and outstanding shares in Strategia Corporation ("Strategia"), a public company shell which has been delisted from the OTC Bulletin Board subsequent to acquisition, in exchange for the Company's 100% interest in EnerGCorp Inc. plus cash of \$88,862 US (\$133,318 CDN). This acquisition has been accounted for as a reverse takeover.

On January 31, 2001, the Company acquired 94% of the issued and outstanding shares of American Home Capital Corporation ("AHCC"), a private mortgage financing company, in exchange for the Company's 100% ownership in Swiss Asset Management, Inc. plus cash of \$387,061 US (\$580,591 CDN). This acquisition has been accounted for as a reverse takeover.

On January 31, 2001, the Company acquired an additional 25% of the issued and outstanding shares of The Lodge at Waterton Lakes Inc. ("Waterton") in consideration for a note receivable held by the Company of \$862,326 and assumption of an obligation to pay \$650,000, bringing the Company's ownership interest to 100%. Waterton is a company which owns and operates a resort property in Waterton Lakes National Park. This acquisition has been accounted for by the purchase method.

On January 31, 2001, the Company acquired an additional 25% of the Kananaskis Mountain Lodge (formerly the Kananaskis Inn) ("The Inn") in consideration for a note receivable held by the Company of \$1,412,215, bringing the Company's ownership interest to 100%. The Inn is a 92 room resort property in the Kananaskis Village. This acquisition has been accounted for by the purchase method.

On January 31, 2001, the Company acquired an additional 25% of the issued and outstanding shares of N.J.Q. Holdings Ltd. ("N.J.Q.") in consideration for a note receivable held by the Company of \$415,216, bringing the Company's ownership interest to 100%. N.J.Q. is a company which owns and operates the Qualicum Heritage Inn at Qualicum Beach, B.C. This acquisition has been accounted for by the purchase method.

On March 27, 2001, the Company acquired 100% of the issued and outstanding shares of Family Golf Acquisitions, Inc. ("Golf") for cash consideration of \$14,661,754. Golf owns and operates ten golf centers across Canada. This acquisition has been accounted for by the purchase method.

The results of operations for these acquisitions have been included since the acquisition date. Goodwill relating to these acquisitions is being amortized over 40 years.

The purchase price allocation for the 2001 acquisitions are as follows:

Assets acquired	CRMP	Newmex	Sulphur	Strategia	AHCC	Waterton	The Inn	N.J.Q.	Golf
Cash	\$200,154	-	\$611,521	\$12,897	\$(31,332)	-	-	-	\$318,058
Working Capital (Deficiency)	-	-	(12,454,080)	-	(342,053)	-	-	-	(2,860,940)
Other Assets	-	-	130,053	-	33,618	-	-	-	-
Mining Properties	-	1,459,907	-	-	-	-	-	-	-
Longterm Receivable	-	-	-	-	475,893	-	-	-	-
Capital Assets	-	-	13,524,327	-	135,885	801,950	-	107,473	18,250,303
Goodwill	54,573	-	805,379	120,421	1,558,541	-	-	-	-
Liabilities Assumed									
Long Term Debt	-	-	-	-	(1,249,961)	-	-	-	(1,045,667)
Minority Interest	(235,780)	340,093	(483,762)	-	-	710,376	1,412,215	307,743	-
	\$18,947	\$1,800,000	\$2,133,438	\$133,318	\$580,591	\$1,512,326	\$1,412,215	\$415,216	\$14,661,754
Cash Consideration	\$18,947	\$1,800,000	\$2,133,438	\$133,318	\$580,591	\$862,326	-	-	\$14,661,754
Debt Consideration	-	-	-	-	-	650,000	1,412,215	415,216	-
Total Consideration	\$18,947	\$1,800,000	\$2,133,438	\$133,318	\$580,591	\$1,512,326	\$1,412,215	\$415,216	\$14,661,754

The purchase price allocation for the 2000 acquisitions as restated are as follows:

Assets acquired	Pebble Beach	Fast Track	Resorts 776910 Ont.	Invader	Newmex
Cash	\$148,974	\$28,910	\$19,814	\$2,232	\$90,204
Working Capital (Deficiency)	(50,600)	(49,419)	(306,521)	(12,617)	1,144,157
Land Development	-	-	-	1,144,385	-
Mining Properties	-	-	-	-	5,909,253
PNG Properties	-	-	-	-	1,470,401
Capital Assets	16,894,401	55,272	21,494,502	-	-
Goodwill	-	482,524	-	-	-
Long Term Debt	(12,782,975)	-	(11,962,051)	(334,000)	-
Minority Interest	-	(17,034)	(2,221,291)	-	(1,704,762)
	\$4,209,800	\$500,253	\$7,024,453	\$800,000	\$1,000,000
Cash Consideration	-	-	\$4,843,327	\$125,000	\$1,000,000
Debt Assumed	\$4,209,800	\$390,000	\$2,131,126	-	-
Conversion of Debt	-	-	-	-	1,151,295
Shares	-	110,253	50,000	675,000	-
	\$4,209,800	\$500,253	\$7,024,453	\$800,000	\$1,000,000

The 2000 acquisitions were accounted for using the purchase method of accounting and the results of operations have been consolidated since the dates of acquisitions. The Company acquired an interest of 51% to 100% of these entities. The acquisitions were in apartment rentals, recreation, oil and gas, real estate development, mining and automotive.

7. INVENTORIES

Inventories are comprised of the following:

	2001	2000
Supplies	\$ 1,291,005	\$ 596,175
Alternative Vehicles	1,225,464	551,401
Work in Progress:		
Construction materials	70,771	6,600
Alternative Vehicles	26,045	157,989
Homes	-	373,794
	\$ 2,613,285	\$ 1,685,959

8. NOTES RECEIVABLE

	2001	2000 (restated)
Note receivable from Orion Resource Corporation, non-interest bearing with no fixed terms of repayment and unsecured. This note was written off during 2001.	\$ -	\$ 266,194
Note receivable from Orion Resource Corporation in US dollars (\$5,219,643) with accrued interest at 10% per annum secured by shares of Swiss Plastering & Interiors, Inc. and secured by a loan guarantee provided by an independent financial institution, due September 30, 2001.	-	7,847,732
Note receivable from The Creative Classics Company, bearing interest at 7% with no fixed terms of repayment.	3,900,581	542,841
Note receivable from Swiss Plastering & Interiors, Inc., bearing interest at 7% with no fixed terms of repayment.	3,234,692	1,558,927
Notes receivable from Citywide Funding, Inc. in US dollars (\$1,700,000) with interest at 20% per annum, due on demand, secured by accounts receivable and business assets.	2,683,450	1,356,157
Notes receivable from Flathead Resources Inc., in US dollars (\$176,908) secured by real estate and bearing interest at 3% per annum, due on demand. This note was written off during 2001.	-	265,981
Notes receivable from 557497 Alberta Limited, secured by assignment of proceeds from Fuji Bank loan and Export Development Canada, with interest at 12% per annum, due on demand.	276,786	246,868

Note receivable from United Industrial Services Ltd., due on demand, bearing interest at 24%, secured by convertible debentures and warrants in United Industrial Services Ltd.

1,208,546 826,696

Note receivable from Chateau Hotels and Resorts Inc. bearing interest at 12% per annum, secured by personal guarantee and secured financing contracts, due September 30, 2001.

- 396,279

Note receivable from HS Replica Cars AG due on demand, bearing interest at 12% per annum, secured by real estate..

456,813 455,872

Note receivable from Tourism Capital Corporation due on demand, bearing interest at 18% per annum, and secured by 25% interest in the Kananaskis Inn and the holding companies of the Waterton Lakes Lodge and Qualicum College Inn.

- 2,810,250

Notes receivable from YUMA Development LLC in US dollars (\$3,765,717). The notes are due on September 29, 2005, bearing interest rates ranging from 8% to 9.21% per annum and secured by real estate and other assets.

5,944,037 5,223,911

Secured participation in a promissory note in US dollars (\$1,000,000), due on or before January 4, 2002. The participation is secured by an interest in a deed of trust.

1,578,500 -

Secured promissory note, including interest accrued only at 8% per annum. The note is in US dollars (\$228,791) due in August 2002 and is secured by 3,512 shares of common stock of American Home Capital Corporation, held in escrow.

361,147 -

Unsecured promissory note in US dollars (\$106,875), including accrued interest of \$6,875 at 9% interest per annum. The note is due December 28, 2002.

168,702 -

Note receivable from Saddleback Handcrafted Homes Ltd., in US dollars (\$855,107) due on demand and without interest, secured by real estate.

1,349,786 912,229

Note receivable from Torrey Brooke Developments Inc., bearing interest at 13.5% due on February 25, 2001, secured by real estate.

- 1,226,856

Sundry Notes Receivable

50,505 759,461

\$ 21,213,545 \$ 24,696,254

9. LAND DEVELOPMENT COSTS

Land development costs are comprised of the following:

	2001	2000
Acquisition costs		
Development	\$ 5,025,592	\$ 6,859,057
Capitalized interest	729,176	624,484
Other	43,880	109,788
	\$ 5,798,648	\$ 7,593,329

10. PROPERTY PLANT AND EQUIPMENT

	Cost	2001 Accumulated depletion and amortization	Net book value
Land	\$ 21,744,990	\$ -	\$ 21,744,990
Buildings	48,042,590	1,205,404	46,837,186
Mining properties	4,528,259	-	4,528,259
Mobile homes	683,828	107,472	576,356
Landscaping	1,233,032	515,150	717,882
Roads	1,800,405	537,665	1,262,740
Distribution lines	2,439,505	389,427	2,050,078
Leasehold improvements	4,935,323	228,354	4,706,969
Machinery and equipment	5,331,225	1,815,259	3,515,966
Vehicles	2,748,715	506,483	2,242,232
Sulphur Plant	13,481,357	-	13,481,357
	\$ 106,969,229	\$ 5,305,214	\$ 101,664,015

	Cost	2000 Accumulated depletion and amortization	Net book value (restated)
Land	\$ 9,986,453	\$ -	\$ 9,986,453
Buildings	34,377,509	557,436	33,820,073
Mining properties	3,213,376	-	3,213,376
Petroleum and natural gas properties	4,350,969	645,493	3,705,476
Mobile homes	751,621	67,735	683,886
Landscaping	806,879	430,807	376,072
Roads	1,773,870	427,861	1,346,009
Distribution lines	2,439,505	304,007	2,135,498
Leasehold improvements	1,782,683	24,731	1,757,952
Machinery and equipment	3,167,473	287,087	2,880,386
Vehicles	776,627	102,474	674,153
	\$ 63,426,965	\$ 2,847,631	\$ 60,579,334

a) The Sulphur terminal is currently under construction and no amortization has been taken on this asset. Amortization will commence when commercial production of the underlying assets begins.

b) In 2000, costs related to non-producing oil and gas properties of approximately \$2,930,000 were excluded from the depletion calculation.

c) In 2001, the Company's ownership interest in a previously controlled subsidiary was diluted due to the subsidiary issuing additional shares to other parties. As a result, petroleum and natural gas assets of this previous subsidiary are no longer consolidated as the Company now owns 38% of this company.

11. LONG-TERM INVESTMENTS

	Percent Owned		2001		2000
Investment in Limited Partnership Units					
The Lodge at Kananaskis/Ribbon Creek	36 - 40%	\$	7,488,895	\$	7,129,547
The Polo Club	19%		946,852		-
Stage West	19%		2,453,969		-
Other	-		849,910		-
Investment in Public Companies					
Invader Exploration Inc. (market - \$6,862,200)	38%		3,341,735		-
Viceroy Resource Corporation (market - \$602,310)	5.9%		830,830		-
AirIQ (market - \$2,284,874)	6.0%		3,304,707		-
Phoenix Capital Inc. (market - \$808,350)	19.9%		910,226		-
Golden Phoenix Minerals, Inc.	14.0%		1,943,673		1,760,127
The Azterra Corporation	0%		-		158,022
Other			969,500		-
Investment in Private Companies					
Kinwest Resources Ltd.	16.4%		2,190,275		-
The Creative Classics Company – preferred shares	100.0%		4,883,920		4,883,920
American Home Capital Corporation	20.0%		-		252,941
Other			1,673,778		-
		\$	30,938,360	\$	15,034,467

12. OTHER ASSETS

	Cost	Accumulated amortization		2001 Net book value		2000 Net book value
Goodwill	\$ 3,745,190	\$ 1,089,672	\$	2,655,518	\$	5,791,579
Organization costs	733,612	93,910		639,702		118,004
Financing fees	563,006	107,637		455,369		18,042
ICBO costs	35,558	16,990		18,568		10,591
	\$ 5,077,366	\$ 1,308,209	\$	3,769,157	\$	5,938,216

13. SHORT-TERM NOTES PAYABLE

		2001		2000 (restated)
DRS Resource Investments Inc., Unsecured, interest at 8%	\$	1,420,650	\$	4,209,800
The Lodge at Waterton Lakes Limited Partners and the shareholders of The Lodge at Waterton Lakes Inc., non interest bearing with no fixed terms of repayment.				
		650,000		2,841,502
Ascoop (US\$500,000) Interest at 7%, secured by real estate property, due February 26, 2002.				
		789,250		-
Rocking Cross Land (US\$749,700) Unsecured, due November 1, 2001.				
		1,183,401		-
Bank One Secured by chattel mortgage on vehicles				
		1,284,143		-

Bob Fillion		
Interest at 12%, secured by Notes Receivable	710,325	-
Tuscan Management Corp. (US\$ 1,800,000), interest at 30%, secured by Promissory Note	2,814,300	-
Finspeed GmbH (US\$ 200,000) Interest at 30%, secured by Promissory Note	313,060	-
Warehouse loan agreement with a Bank, which allows the Company to fund loans through a \$3,000,000 line of credit provided by the Bank. The Company pays all fees associated with the line of credit. The Company also pays the Bank interest on loans while in the line of credit at LIBOR plus 4.43%	1,233,432	-
Hampton Court Resources Inc., due on demand	-	1,000,000
Emperor Estates Development Inc. (\$1,596,849 USD), due on demand	-	2,400,862
Sundry	381,287	164,477
	\$ 10,779,848	\$ 10,616,641

14. TERM LOANS

	2001	2000 (restated)
Qualicum Heritage Inn First mortgage payable in monthly instalments of \$13,275 including interest at 6.75%, secured by a general security agreement and land and building having a carrying value of \$1,768,409, due January 27, 2002.	\$ 791,816	\$ 897,458
Waterton Lakes Lodge First mortgage due to Royal Trust, payable in monthly instalments of \$55,818 including interest at 8.21%, secured by buildings having a carrying value of \$9,240,251, due March 1, 2002.	4,434,299	4,586,000
Kananaskis Mountain Lodge Mortgage payable in monthly instalments of \$34,233 including interest at 7.25%, secured by the premises and the leasehold interest, having a carry- ing value of \$9,359,362, due March 1, 2001.	3,390,223	3,573,170
Central City Business Park Mortgage due to Safety First Savings & Mortgage Corp. payable in monthly instalments of interest only at prime plus 4% with a minimum of 12%, secured by buildings having a carrying value of \$2,946,000, terms are month to month.	175,000	-

Central City Business Park

Mortgage due to Malden Holdings Ltd. payable in monthly instalments of interest only at prime plus 4% with a minimum of 12%, secured by buildings having a carrying value of \$2,946,000, terms are month to month.

175,000

-

\$

8,966,338

\$

9,056,628

The Company is in the process of refinancing the above loans and believes that such financing will be obtained. The Company is in violation of loan covenants relating to the Qualicum Heritage Inn and Kananaskis Mountain Lodge mortgages. As a result, the lender has the right to demand payment.

15. LONG-TERM DEBT

2001

2000
(restated)

ASCOOP Notes Payable

Interest payable annually at an annual rate of 7%, secured by property included in land development costs with a carrying value of \$3,592,049, due January 29 2002 and payable in US dollars (\$1,000,000).

\$

-

\$

1,503,500

SPIDA Note Payable

Interest payable annually at an annual rate of 7%, secured by property included in land development costs at a carrying value of \$826,638, due June 1, 2002 and payable in US dollars (\$500,000).

-

751,750

High River Plant and Land (40 acres)

Mortgage payable in monthly installments of \$3,466 including interest at 7% secured by land and building included in capital assets at a carrying value of \$954,694, due September 1, 2002.

321,167

339,969

Evergreen Community

Mortgage payable in monthly installments of \$83,085 including interest at 7.93% secured by capital assets at a carrying amount of \$12,374,849, due October 01, 2010.

11,096,622

11,200,000

Mile West Community

Term loan payable in monthly installments of \$4,500 including interest at 7.25% secured by capital assets with a carrying value of \$799,193, due December 7, 2004.

360,351

381,796

Westridge Community

Term loan payable in monthly installments of \$3,000 including interest at 9.25% secured by capital assets at a carrying value of \$180,949, due April 7, 2005.

240,929

254,157

776910 Ontario Ltd.

Payable to Matt Ireland, non-interest bearing, from the proceeds of sale/development of the Company's assets which have a carrying value of \$1,144,000.

334,000

334,000

322375 Alberta Ltd.

Mortgage payable on monthly installments of \$4,875 including interest at 7.7%, secured by the building and leasehold interest, having a carrying value of \$413,220, due May 01, 2009.

323,945

362,276

Kananaskis Mountain Lodge

Term loan payable in monthly installments of \$4,167 excluding interest. Interest is at prime plus 1%, secured by the premises and the leasehold interest. The loan is due August 2008.

345,861

395,865

Kananaskis Mountain Lodge

Term loan payable in monthly installments of \$2,500 excluding interest. Interest is at prime plus 1%, secured by the premises and the leasehold interest. The loan is due August 2008.

207,500

237,500

Waterton Lakes Lodge

15% second mortgage, maturing December 31, 2002 payable in monthly installments of interest only, secured by buildings, having a carrying value of \$9,240,251.

1,500,000

1,500,000

Rocking Cross Land LLC

A non-revolving, Acquisition and Development loan, with First Security Bank. Interest rate is prime plus 1.5% and secured by 15 custom home sites. Payable in US dollars (\$750,000), due November 2001.

-

1,252,416

Pebble Beach Apartments Inc. (Stray Horse)

Mortgage payable to PFC Corporation in US dollars (\$8,467,980) over a 40-year term requiring monthly payments of US\$57,355 including interest, at 8.125%, having a carrying value of \$16,528,310, secured by land and building.

13,366,708

12,782,975

Canadian Tire Plaza (Bancroft, Ontario)

Mortgage payable in monthly installments of \$6,032 including interest at 8.0% secured by the first mortgage on the property at 1 Fairway Boulevard and assignment of rents and fire and other perils insurance, having a carrying value of \$1,100,000, due March 31, 2004.

483,699

-

Central City Business Park

Mortgage payable in monthly installments of \$19,904 including interest at 7.375% secured by the premises and the leasehold interest, having a carrying value of \$2,946,000, due October 01, 2002.

2,262,382

-

Other – Capital Leases, implicit lease rate of 10% to 12% due on various dates until 2008.

460,160

308,649

31,303,324

31,604,853

Less Current Portion

(1,200,856)

(840,385)

\$

30,102,468

\$

30,764,468

Principal repayments on long-term debt over the next five years are as follows:

2002	\$	1,200,856
2003	\$	4,315,343
2004	\$	349,526
2005	\$	1,125,673
2006 and after	\$	24,311,926
	\$	31,303,324

16. SHARE CAPITAL

a) Authorized:

- (i) Unlimited number of common shares
- (ii) Unlimited number of preferred shares

The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series.

b) Issued

Common shares issued:

	Number of shares	Attributed Value
Balance September 30, 1998	14,705,502	\$ 13,532,066
Shares issued on private placement, net of share issue costs	2,858,900	8,490,958
Shares issued on acquisition of subsidiary	14,054	52,000
Shares cancelled	(141,400)	(168,293)
Balance September 30, 1999	17,437,056	\$ 21,906,731
Shares issued on private placement, net of share issue costs	15,890,000	46,110,001
Exercise of warrants	12,500,000	37,500,000
Shares issued on acquisition of subsidiaries (note 6)	225,787	835,253
Shares issued to satisfy affiliated Company debts	442,285	1,547,998
Shares issued on conversion of Preferred Shares	57,291	226,125
Shares issued on conversion of Convertible Debentures	1,149,258	5,199,023
Stock Options	175,000	65,500
Stock Dividend	564,322	1,829,055
Redemption of Shares	(308,936)	(524,089)
Balance September 30, 2000	48,132,063	\$ 114,695,597
Shares issued on private placement, net of share issue costs	6,050,000	21,297,853
Exercise of warrants	788,900	2,715,030
Shares issued on acquisition of properties	563,830	2,083,975
Stock Options	780,000	1,414,803
Stock Dividend	1,465,049	7,251,993
Redemption of Shares	(1,095,600)	(2,878,403)
Balance September 30, 2001	56,684,242	\$ 146,580,848

c) Stock Options:

A summary of the Company's options at September 30, 2001 and 2000 and the changes for the years ending on those dates is presented below:

	Options Outstanding	2001 Weighted Average Exercise Price	Options Outstanding	2000 Weighted Average Exercise Price
Balance at beginning of year	1,840,000	\$ 2.48	1,230,000	\$ 2.06
Granted	4,022,000	3.20	630,000	3.30
Expired	(200,000)	3.10	-	-
Exercised	(780,000)	1.81	(20,000)	2.50
Balance at end of year	4,882,000	\$ 3.16	1,840,000	\$ 2.48

The following table summarizes information about the options outstanding at September 30, 2001.

Options	Exercise Price	Expiry Date
480,000	\$ 3.30	November 26, 2001
380,000	\$ 2.50	March 27, 2003
4,022,000	\$ 3.20	January 3, 2004
4,882,000		

The November 26, 2001 options expired and none were exercised.

d) Warrants:

The Company has the following non-transferable share purchase warrants outstanding as at September 30, 2001:

Expiry Date	Number	Price
October 4, 2001	400,000	\$ 2.81
October 14, 2001	1,000,000	\$ 2.81
October 23, 2001	50,000	\$ 2.81
January 04, 2002	1,150,000	\$ 2.81
	2,600,000	

Subsequent to year end, the warrants expired and none were exercised.

17. INCOME TAXES

The income tax provision reflects an effective tax rate that differs from the expected tax rate as summarized below:

	2001	2000 (restated)
Expected tax expense at 42.9%	\$ 7,963,755	\$ 1,921,871
Alternative Minimum Tax	-	120,000
Loss in equity of affiliated companies	134,089	94,000
Amortization and depletion not deductible for tax purposes	-	45,000
Taxable loss of limited partnership investments	(197,007)	-
Exempt portion of capital gains	(1,110,320)	(309,000)
Tax losses of current year not recognized for accounting purposes	817,347	-
Benefit of utilization of tax losses of previous years	(6,278,291)	(1,413,426)
Change in valuation	716,075	-
Other	(114,786)	7,000
Income tax provision	\$ 1,930,852	\$ 465,445

The tax effects of temporary differences that give rise to future tax liabilities at September 30, 2001 are presented below:

Future tax assets:

Mining properties and deferred costs	\$	(250,344)
Capital assets and other assets		(2,948,585)
Operating loss carryforwards		8,700,187
Total gross future income tax assets		5,501,258
Valuation allowance		(7,077,765)
Net future income tax liability	\$	(1,576,507)

A valuation allowance has been recorded against the future tax assets of certain subsidiaries, as the Company cannot demonstrate that it is more likely than not that the assets will be realized.

As at September 30, 2001, the Company has accumulated non-capital loss carryforwards for tax purposes of approximately \$4,098,970, which can be applied to reduce income taxes otherwise payable, giving rise to a future tax asset of approximately \$1,758,458.

These losses expire as follows:

2003	\$	251,208
2004	\$	243,876
2005	\$	308,762
2006	\$	2,010,929
2007	\$	842,326
2008	\$	441,869

The Company also has loss carryforwards in its U.S. subsidiary, EnerGCorp Inc. of \$13,971,277, available to reduce future years' income. These losses expire from 2001 through 2011.

18. COMMITMENTS

a) Operating Leases

The Company leases premises under long-term operating leases that require the following annual rents:

2002	\$	1,168,969
2003	\$	970,129
2004	\$	291,198
2005	\$	307,966
2006	\$	255,228

b) Land Leases

i) Waterton Lakes Lodge

The Company leases land from the Government of Canada requiring annual lease payments of \$25,500 until March 1, 2010 and at annual rental payments thereafter to be determined. The lease expires on March 1, 2039 and is renewable for an additional seven years.

ii) Kananaskis Mountain Lodge

The Company leases land from the Government of Alberta. The lease agreement requires annual lease payments of approximately \$4,000 escalating to \$6,500 over the term of the lease, which expires in 2036. The lease is renewable for an additional twenty-five years.

iii) Sulphur Corporation

The Company is committed under a land lease located at "Ridley Island" expiring December 31, 2008, with an option to renew for a term of 10 years. The lease calls for minimum annual rental payments of \$279,996 until the first shipment of sulphur in excess of 10,000 tonnes.

After the first sulphur shipment, the minimum rental payment will be calculated on a throughput rate based on the number of tonnes of sulphur shipped from the terminal. The throughput base-rate was established on December 31, 1998 at \$0.511695 per tonne and shall be escalated annually to coincide with the Consumer Price Index. In addition, the minimum rental payments, as calculated using the throughput rate method, will be based on a minimum of 1,000,000 tonnes of throughput over the period beginning February 15, 2000 to February 15, 2005, and 200,000 tonnes of throughput per year thereafter.

c) Management Contract

i) Sulphur Corporation

The Company is committed under a management service agreement with a company controlled by its president until expiry in December 2008 with options to extend the agreement. The agreement provides for the following:

- (1) yearly fees of US \$120,000, which are subject to annual escalation tied to the Consumer Price Index,
- (2) recoveries of various expenses incurred on behalf of the company, and
- (3) payment of a bonus equal to \$0.50 per tonne of sulphur processed in excess of 400,000 tonnes per calendar year at the Company's sulphur terminal.

ii) Pebble Beach Apartments Inc.

Under the terms of a property management agreement the company is required to pay an annual fee for the management and administration of an apartment complex in Phoenix, Arizona. The management fee is calculated at 3.5% of the apartment's operating revenues. During the current year the company paid \$66,000 in management fees under this contract.

Pursuant to a Management Agreement dated September 8, 2000 the Company has agreed to retain Tourism Capital Corporation (Canada) Ltd. to manage and operate its resort properties. Under the terms of the Management Agreement a management fee of 10% of resort operating income before certain fixed charges is payable on an annual basis. The Management Agreement can be terminated by either party subsequent to September 30, 2001. For the year ended September 30, 2001 a minimum fee of \$100,000 is chargeable under the Agreement.

d) Construction and Renovations

i) Sulphur Corporation of Canada Ltd.

The Company estimates that additional construction costs of \$14,000,000 will be required to complete the first phase of the sulphur terminal located in Prince Rupert, British Columbia prior to the commencement of full operations.

ii) Eagle Quest Golf Centers

The Company has entered into a contract for installation of golf range turf at a driving range. As at September 30, 2001, the contract was 50% complete with a balance of \$130,494 to be paid under the contract in the next year. Subsequent to year end, the contract has been completed and the balance paid in full.

e) Croisan Mountain Development

Pursuant to the terms of a development agreement and permit from the City of Salem, Oregon, the Company is committed to contribute US\$400,000 towards the construction of a US \$1.6 million water system that will supply water to its Croisan Mountain project. The City of Salem has committed to fund the balance of these costs. Management anticipates recovering the majority of its commitment from other area developers who are interested in accessing this water supply.

f) Mining Properties

i) Mineral leases with an option to purchase

The Company has entered into two mineral leases with options to purchase. In each lease, the Company is committed to paying annual lease payments until the purchase price is paid out, the lease term expires, or until the Company decides to terminate the lease and abandon the claims. Lease payments in US dollars due in the next five years are as follows:

2002	\$	19,500
2003	\$	21,000
2004	\$	22,500
2005	\$	24,000
2006	\$	25,500

ii) Production Royalty Payments

a) Subject to the Purchase Agreement of October 15, 2001, to acquire 12 crown granted mineral leases at Zebalos, British Columbia, the Company is committed to the following:

- (1) a 1% net smelter royalty, to a maximum of \$250,000, payable from gold production to Newhawk Gold Mines Limited.
- (2) 10% of gross revenues from the sale of timber from the properties payable to John Prochnau & Company.

- b)** Subject to the Option to Purchase Agreement of October 15, 2000 to acquire five claims at the Four Metals Copper Project, Arizona, the Company is committed to paying a 2% gross revenue royalty to the vendor.
- c)** On March 28, 2001, the Company announced that it had agreed in principle to sell its 70% interest in the shares of Sulphur Corporation of Canada Inc. ("Sulphur Corp.") to Newmex Minerals Inc. The purchase price would be Proprietary's book value of \$2,100,000 and consideration would be in the form of cash, Newmex shares or debt instruments, as appropriate. Sulphur Corp. is constructing a sulphur and transportation terminal in Prince Rupert, British Columbia. The transaction has not been finalized and is subject to a number of conditions being met including regulatory and shareholder approval.

g) Employee Share Purchase Plan

The Company has established an Employee Share Purchase Plan which allows Directors, Officers and certain eligible employees to purchase the Company's shares under an arrangement where the Company will issue one share for the benefit of the employees for each share purchased. The maximum benefit available under the plan for any individual is \$100,000 per year.

19. FINANCIAL INSTRUMENTS

Risk Management

The Company is exposed to financial risk that arises from the fluctuation in interest rates and in the credit quality of the various parties the Company does business with. These risks are managed as follows:

(i) Interest Rate Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to a financial instrument will fluctuate as a result of changes in market interest rates. The Company is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates used on their financial instruments.

The Company structures its financings so as to stagger the maturities of its debt, thereby minimizing the Company's exposure to interest rate fluctuations.

(ii) Credit Risk

Credit risk arises from the possibility that the entities to which the Company provides products and services may experience difficulty and be unable to fulfill their obligations. The Company mitigates this risk of credit loss through the diversification of its existing portfolio and limiting its exposure to any one entity. Credit assessments are conducted in respect of new entities.

Accounts receivable (trade and short term notes), notes receivable and long term investments are assessed on a regular basis by management to ensure the credit worthiness of debtors and ultimate collections. The Company has either obtained security or is endeavoring to obtain security on these financial instruments to further reduce their credit risk.

(iii) Foreign Exchange Risk

The Company is exposed to risks arising from fluctuations in foreign exchange rates, and the volatility of those rates. The company does not use derivatives to reduce its exposure to foreign exchange.

Fair Value

In accordance with the disclosure requirements of the CICA Handbook, the Company is required to disclose certain information concerning its "financial instruments", defined as a contractual right to receive or deliver cash or another financial asset. The fair value of the majority of the Company's financial assets and liabilities approximate their recorded values at September 30, 2001. In these circumstances, the fair value is determined to be the market or exchange value of the assets or liabilities.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect estimates. The significant financial instruments of the company and their carrying value as of September 30, 2001 are as follows:

Accounts Receivable, trade and short term notes	\$	42,306,322
Notes receivable	\$	21,213,545
Long term investments	\$	30,938,360
Accounts and notes payable	\$	24,807,015
Term loans	\$	8,966,338
Long term debt	\$	31,303,324

20. SUBSEQUENT EVENTS

- a) On October 16, 2001 the Company acquired 4,000,000 common shares of Invader Exploration Inc. for \$1,000,000 cash. As a result of this acquisition the Company increased its ownership in Invader to 45% of Invader's total issued and outstanding shares.
- b) On December 14, 2001 the Company completed a private placement of 2,758,000 units for a total cash consideration of \$3,309,190. Each unit subscribed for consists of one common share and a warrant granting the holder the right to subscribe for an additional common share at a price of \$1.55 until December 13, 2003.
- c) Subsequent to year end the Toronto Stock Exchange accepted a notice from the Company to make a normal course issuer bid. The issuer bid provides that the Company may, until December 6, 2002 purchase up to 2,834,212 of its common stock for cancellation at market price. Subsequent to year end the Company purchased 374,900 shares at a cost of approximately \$663,000.
- d) Subsequent to the year end the Company received approval for various credit facilities from the Bank of Montreal of approximately \$12.29 million. The funds will be advanced in stages upon satisfaction of certain conditions. The facilities include an overdraft demand loan of up to \$250,000, long-term financing by way of banker acceptances, prime rate based advances and fixed rate term loan in aggregate for \$10.75 million and a risk management line for \$1.29 million. The credit facility is secured by an unconditional guarantee for \$11 million, first fixed and floating charge in an amount not less than \$12.5 million over all real properties, and a general assignment of assets.
- e) Subsequent to year end the Company raised approximately \$342,000 on the issue of common shares under its Employee Stock Purchase Plan.
- f) On December 18, 2001 the Company entered into an agreement to acquire a downtown commercial property in Calgary, Alberta, for a purchase price of \$35,000,000. Subsequent to year end a cash deposit of \$1,000,000 has been made on the purchase. The balance of the purchase price is anticipated to be provided by a combination of cash of approximately \$9,000,000 and mortgage financing of approximately \$25,000,000. This acquisition is subject to final board approval, a satisfactory title review and the Company obtaining acceptable financing terms.
- g) Subsequent to year end, the Company made an offer to purchase the assets of United Industrial Services Ltd. (UIS) for \$500,000. UIS operates a silica processing plant and is currently in receivership. Subsequent to year end a deposit of \$255,000 has been made with the receiver relating to the purchase. The purchase is subject to the execution of a formal purchase and sale agreement and regulatory approvals requiring transfer of title to the Company.
- h) In November, 2001, the Company commenced repossession of mining equipment from Golden Phoenix Minerals Ltd. under the terms of a security agreement in satisfaction of the note receivable per note 8.
- i) A shareholder rights plan, which is subject to shareholder approval, was announced on February 11, 2002.
- j) On February 16, 2002, the Board of Directors approved the repricing of all outstanding options, subject to shareholder approval.
- k) On January 31, 2002, the Alberta Securities Commission ("ASC") released a Notice of Hearing alleging that the Company's financial statements for the years ended September 30, 1998, 1999 and 2000 contained material misrepresentations. On February 22, 2002, the respondents to the Notice of Hearing will convene with the ASC to set a date for a hearing of the allegation. The outcomes of the hearing can not be determined at this time.
- l) In December, 2001, the Company reacquired Willow Creek Homes Inc. in exchange for the promissory note due from The Azterra Corporation.
- m) In December, 2001, the Company acquired the balance of the University Polo Club Limited Partnership units in exchange for a short term note receivable from The Azterra Corporation.

21. CONTINGENCIES

The General Partner of the Mountain Inn at Ribbon Creek Limited Partnership has initiated an action against the Company alleging that the offers to acquire all of the outstanding partnership units are in violation of the governing partnership agreement. Although this action was commenced on February 24, 1999, the plaintiff has taken no steps to prosecute it.

The General Partner of the Mountain Inn at Ribbon Creek Limited Partnership has initiated an action against the Company alleging that the offers to acquire all of the outstanding partnership units are in violation of the governing partnership agreement. This action has been consolidated with an action that the Company has brought against the General Partner of the Lodge at Kananaskis Limited Partnership for a declaration that the offers are not in violation of the governing partnership agreement, and these issues are scheduled to proceed to trial sometime in 2002.

Management believes that all of the above charges are totally unfounded and without merit, and will vigorously defend its position.

The effects of the above actions, in the event of an unfavourable judgment, cannot be reasonably determined.

22. LEGAL PROCEEDINGS

a) Resort Properties

The Company has commenced an action against the general partner of the Lodge at Kananaskis and the Mountain Inn at Ribbon Creek Limited Partnerships seeking a declaration that offers made to limited partner unit holders to purchase their units were not in violation of the partnership agreement under which such units were acquired, a declaration that it has valid ownership rights to their acquired partnership units as well as other ancillary relief. The Company has also advanced a claim for general damages in connection with misrepresentation, defamation, breach of partnership agreements and interference with economic relations.

The General Partner of the Mountain Inn at Ribbon Creek Limited Partnership has commenced an action against the Company involving allegations of defamation and wrongful interference with contractual relations.

The General Partners of the Lodge at Kananaskis and the Mountain Inn at Ribbon Creek Limited Partnerships have sought an injunction prohibiting the Company from using the name "Kananaskis Mountain Lodge" for its resort operations located in the Kananaskis resort complex.

The probability of the Company being successful in the above actions and the monetary considerations for damages against or awarded to the Company cannot be reasonably determined.

b) United Industrial Services

The Company has been named as a defendant under a claim in which the plaintiff alleges the Company breached a contract under a share purchase agreement. The plaintiff claims that the Company did not complete a transaction in which it was obligated to acquire the plaintiff's shares in United Industrial Services Inc. The plaintiff is seeking damages of approximately \$3,000,000.

Management believes that the above claim is totally unfounded and without merit, and will vigorously defend its position. The outcome of this claim cannot be reasonably determined.

c) eDispatch.com Wireless Data Inc.

The Company has commenced an action against eDispatch.com Wireless Data Inc. and certain of its officers and directors for conduct oppressive to the Company as an eDispatch shareholder. The Company initiated a takeover bid for a majority of the shares of eDispatch which was unsuccessful due to a subsequent merger of eDispatch with AirIQ Inc. based in part on a recommendation by eDispatch management and Directors to eDispatch shareholders to reject the Company's takeover bid. The Company alleges that it has suffered damages for loss in value in its eDispatch shares and for related expenses.

Related to the above action the Company has commenced an action against CIBC World Markets Inc. for negligent misrepresentation made to eDispatch and eDispatch shareholders in connection with the Company's takeover bid and the merger of eDispatch with AirIQ Inc.

The probability of the Company being successful in the above action and the monetary considerations for damages awarded to the company cannot be reasonably determined.

d) Strategia

Pursuant to a purchase and sale agreement involving the sale of a former subsidiary of Strategia Corporation, Strategia had indemnified the subsidiary for certain tax liabilities which would result from the disallowance of management fees expenses paid by the subsidiary to Strategia. The subsidiary Company received a reassessment notice from the Government of France taxation authorities assessing taxes, interest and penalties in the amount of 1,247,000 French Francs (\$264,000 Canadian) disallowing the management fees.

Management feels the assessment can be successfully appealed however the likely hood of the results of an appeal cannot be reasonably determined.

e) Saddleback Handcrafted Homes Ltd.

Subsequent to year end, a court order awarded the Company the full amount of the Saddleback receivable plus interest.

23. RESTATEMENT OF PRIOR YEARS FINANCIAL STATEMENTS

The Company has identified certain asset sales that took place in September 30, 1998, 1999 and 2000 which are open to more than one method of reporting under Canadian Generally Accepted Accounting Principles ("GAAP"). Management has now decided to restate the Company's September 30, 1998, 1999, and 2000 financial statements in order to take the most conservative approach to these transactions, as described in detail below.

The Company's financial statements for the years ended September 30, 1998, 1999 and 2000 have been restated as follows:

September 30, 1998

A net gain of \$1,900,000 on a portion of the sale of certain mining company shares has been reversed based on information obtained during 2001.

September 30, 1999

A net gain of \$6,264,000 on the sale of a subsidiary, Swiss Plastering & Interiors Inc., has been reversed and recorded as a deferred gain of \$6,264,000 in the September 30, 2000 financial statements. A gain of \$6,264,000 was recorded in the current year when the full cash consideration relating to this transaction was received.

September 30, 2000

A net gain of \$5,203,000 on the sale of two subsidiaries, The Creative Classics Company and Willow Creek Homes Inc., has been reversed and recorded as a deferred gain of \$5,613,000 in the September 30, 2000 financial statements. A gain of \$4,956,000 was recorded in the current year when the cash consideration resulting from one of these transactions was received.

Gains of \$1,800,000 on the sale of real estate have been reversed and recorded as deferred gains of \$1,800,000 in the September 30, 2000 and 2001 financial statements. The gains on these transactions will be recognized when the consideration is received.

As a result of these restatements, the accounts of Newmex Minerals Inc. were consolidated into the accounts.

The following table summarizes the restatement adjustments recorded by the Company:

	Increase (Decrease)		Prior Years
	2000		
Current assets	\$	(615,079)	\$ -
Note receivables		1,977,102	-
Land development costs		2,330,425	-
Deferred revenue		6,486,208	(6,263,594)
Current liabilities		(1,495,366)	(67,000)
Capital assets		(32,603,444)	(2,641,983)
Long term debt		(26,875,986)	-
Deferred taxes		(43,947)	(637,000)
Cumulative translation adjustment		(32,076)	-
Revenues		(2,528,574)	-
Gain on sale of assets		(5,203,226)	(8,536,264)
Interest income		(33,076)	(180,801)
Operating expense		1,032,764	(188,512)
Earnings from operations		(6,732,112)	(8,905,577)
Minority Interest		(248,317)	(350,135)
Income taxes		(242,555)	(704,000)
Net income		(6,241,240)	(7,851,442)
Effect on earnings per share	\$	(0.23)	\$ (0.50)

24. RELATED PARTY TRANSACTIONS

- a) Included in notes and accounts receivables is \$2,702,098 (2000 - \$857,000) due from the president who is a director and shareholder of the Company. The note portion on \$595,165 bears interest at 10% and is due on demand. The balance bears no interest and is also due on demand.
- b) Included in notes receivable is \$223,428 (2000 - \$Nil) due from an officer and Director who is a shareholder of the Company. This amount bears interest at 10% and is due on demand.
- c) Included in notes receivable (Note 4) is an amount due from Law Investments in the amount of \$678,755. The president of Law Investments is also a director of the Company.
- d) Included in short term notes payable (Note 13) is an amount of \$1,420,650 due to DRS Resource Investments Inc. a Company controlled by a former director.
- e) Included in short term notes payable (Note 13) is an amount of \$789,250 due to Pensionskasse der ASCOOP, a pension fund which owns approximately 12% of the Company's issued shares. During the year the Company paid interest in the amount of \$53,725 on this note.
- f) Included in short term notes payable (Note 13) is an amount of \$710,325 payable to Bob Fillion an officer of one of the Company is subsidiaries. During the year the Company paid interest in the amount of \$30,000 on this note.
- g) During the year the Company made sales in the amount of \$147,435 from its automotive operations to the president who is a director and shareholder of the Company. These sales were based on amounts normally charged to third parties and are also included in trade receivables.
- h) During the year the Company purchased vehicles in the amount of \$69,075 from an officer of the Company. These purchases were based on amounts normally paid to third parties.
- i) The Company acquired 95% of the shares of Travel Wise for an amount of \$631,400. The president of the company was appointed an officer and director of Travel Wise. Travel Wise is an inactive public company and the shares are restricted. This acquisition was late in the year and there have been no activities since acquisition and therefore only nominal assets and liabilities.

25. COMPARATIVE FIGURES

The comparative figures have been reclassified to conform to the financial presentation adopted for the current year.

26. SEGMENTED INFORMATION

Industry Segments 2001

	Automotive	Construction
Total sales	3,270,240	1,120,712
Segment operating profit	(2,433,979)	(345,131)
General & administrative		
Amortization		
Interest expense		
Writedowns		
Earnings before income taxes and Minority Interest		
Income taxes and Minority interest		
Net earnings		
Identifiable assets	(1,279,603)	(1,020,065)
Net capital expenditure	2,232,479	-

Industry Segments 2000

	Automotive	Construction
Total sales	1,099,910	10,848,752
Segment operating profit	(60,313)	1,266,944
General & administrative		
Amortization		
Interest expense		
Writedowns		
Earnings before income taxes and Minority Interest		
Income taxes and Minority interest		
Net earnings		
Identifiable assets	2,992,203	20,278,270
Net capital expenditure	742,297	16,857,691

Geographic segments

	Canada 2001	2000
Total sales	29,556,559	12,688,381
Segment operating profit	13,491,179	8,788,929
General & administrative		
Amortization		
Interest expense		
Writedowns		
Earnings before income taxes and Minority Interest		
Income taxes and Minority interest		
Net earnings		
Identifiable assets	192,645,201	107,629,490

Corporate & Other	Financing	Real Estate Rental	Resort & recreation	Resource	Consolidated
22,256,304	8,643,306	4,898,989	16,792,804	1,126,272	58,108,627
21,514,156	4,478,059	3,011,701	3,328,120	320,816	29,873,742
3,442,548					3,442,548
					2,603,338
					3,305,481
					2,045,448
					18,468,495
					1,679,041
					16,789,454
123,340,959	29,657,313	34,846,045	32,175,625	8,257,176	225,977,450
202,926	521,648	5,059,963	23,482,958	13,860,562	45,360,536

Corporate & Other	Financing	Real Estate Rental	Resort & recreation	Resource	Consolidated
4,158,793	-	2,476,127	4,710,833	1,005,675	24,300,090
3,104,422	-	1,453,227	3,159,662	630,675	9,554,617
					4,087,687
					927,829
					1,159,734
					-
					4,307,196
					1,024,347
					3,282,822
118,176,515	-	14,505,545	25,247,482	10,056,851	191,256,866
501,372	-	35,945	21,601,666	7,529,134	47,268,105

USA 2001	2000	Puerto Rico 2001	2000	Consolidated 2001	2000
28,552,067	11,611,709	-	-	58,108,626	24,300,090
16,382,533	765,688	-	-	29,873,712	9,554,617
				3,442,548	4,087,687
				2,603,338	927,829
				3,305,481	1,159,734
				2,045,448	-
				18,468,495	4,307,196
				1,679,041	1,024,347
				16,789,454	3,282,822
32,685,039	83,033,193	647,210	594,183	225,977,450	191,256,866

Corporate Information

Directors and Officers

Mahesh Bhatia

Controller
Calgary, Alberta

Rolf Brunner

Director
Steinhausen, Switzerland

Jean-Claude Düby

Director
Bern, Switzerland

Theodor Hennig, C.A.

Chief Financial Officer, Treasurer, Director
Calgary, Alberta

Donald L. Holmstrom

Director
Port Moody, British Columbia

Peter Joss

Director
Weinfelden, Switzerland

Conrad P. Kathol

Director
Calgary, Alberta

Cheryl Lebeuf

Secretary
Calgary, Alberta

Charles M. Raymond

Director
Lions Bay, British Columbia

Grant E. Sardachuk

Director
Scottsdale, Arizona

Peter G. White

Director
Banff, Alberta

Peter J. Workum

President, Chairman of the Board, Director
Calgary, Alberta

Auditors

Hudson & Company, Chartered Accountants

300, 625 – 11th Avenue S.W.
Calgary, Alberta T2R 0E1

Registrar and Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta

Listing and Trading Symbol

Proprietary Industries Inc. common shares
are listed on The Toronto Stock Exchange
and the SWX Swiss Exchange under the
symbol "PPI"

Investor Relations

Peter J. Workum
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or
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